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## Friend Request Accepted: A Case Study of Facebook's Expansionary Network Strategies in India

Authors	Thapliyal, Devna
Citation	Thapliyal, Devna (2012). "Friend Request Accepted: A Case Study of Facebook's Expansionary Network Strategies in India." Thesis, Georgia State University. <a href="https://doi.org/10.57709/3500044">https://doi.org/10.57709/3500044</a>
DOI	<a href="https://doi.org/10.57709/3500044">https://doi.org/10.57709/3500044</a>
Download date	2026-04-11 01:38:10
Link to Item	<a href="https://hdl.handle.net/20.500.14694/3625">https://hdl.handle.net/20.500.14694/3625</a>

FRIEND REQUEST ACCEPTED: A CASE STUDY OF FACEBOOK'S EXPANSIONARY  
NETWORK STRATEGIES IN INDIA

by

DEVNA THAPLIYAL

Under the direction of Dr. Svetlana Kulikova

ABSTRACT

Facebook's status as the world's largest social networking platform is well documented. However, studies focusing on Facebook are largely limited to how individuals and businesses use the platform and not on how Facebook expands globally and affects markets and competition in foreign countries. Although international communication scholars have scrutinized the international expansion of major media corporations like Time Warner, Disney and News Corp., analysis on Facebook remains scarce. This thesis seeks to fill in the gap in scholarly research by conducting a meso-level (i.e. organizational level) analysis of Facebook's expansion into developing countries through the theoretical lens of networks. The network perspective was chosen because it has previously facilitated the most comprehensive analysis of the globalizing strategies of media corporations. This paper simultaneously serves as a test of the applicability of theories of networked globalization and the Network Society to the global expansion of ICTs, and in particular, social-networking websites.

INDEX WORDS: Facebook, India, Network political economy, Network society, Social networking websites, New media, Media globalization

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by

DEVNA THAPLIYAL

A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of

Master of Arts

in the College of Arts and Sciences

Georgia State University

2012

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By

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December 2012

**DEDICATION**

*To my parents, Rakesh and Chitra, and my brother, Racchit.*

## **ACKNOWLEDGEMENTS**

I am deeply grateful to Dr. Svetlana Kulikova and Dr. Amelia Arsenault for their patience, dedication and support throughout this project. I would also like to extend my sincere thanks to Dr. Hongmei Li for her constructive suggestions on this project.

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## CHAPTER 1: INTRODUCTION

In June 2011, the French government banned the word “Facebook” from being used on radio and television news programs, unless the news story referred directly to the social networking website. In a statement a spokesperson for the Conseil Supérieur de l'Audiovisuel, France's electronic media regulation agency, explained the reason for the ban (Fraser, 2011):

Why give preference to Facebook, which is worth billions of dollars, when there are many other social networks that are struggling for recognition? This would be a distortion of competition. If we allow Facebook...to be cited on air, it's opening a Pandora's Box — other social networks will complain to us saying, 'why not us?'

Over the past few years Facebook's use as a public space for organizations and individuals to connect has largely remained unquestioned. Not only did this ban serve as a testimony of the social-networking website's ubiquity and global reach, but it also brought attention to the website's dominance and possible monopoly over the social-networking space, something that no government had done before.

Founded in 2004, by Mark Zuckerberg, Facebook has quickly evolved into the world's largest online social networking platform. Facebook currently has one billion users globally, out of which approximately 167 million users are located in the United States (Social Bakers, as of November 2012). Access to the platform is free as long as users have an internet or mobile connection and declare themselves to be at least 13-years-old. Facebook allows users to connect with others online and offers a platform where users can play games, chat with their friends, share links and upload an unlimited number of photos.

Though Facebook was not the first social-networking platform, it quickly surpassed other websites such as Friendster, LinkedIn and MySpace in popularity due to the ease with which its users can share and access information online (Rusli, 2012). Over the years people have found

different uses for Facebook, ranging from political activism (Shirky, 2011) to romance (Ehrlich, 2012). And although the website has repeatedly been criticized for its privacy settings (Schwartz, 2012) — with \$3.7 billion dollars in revenue in 2011 and a billion users — it eclipses its competitors both in profits and popularity.

The popularity of social networking platforms has led the term “networks” to enter everyday lexicon, however, there are scholars who argue that networks are the defining feature of society itself. According to the sociologist and theorist Manuel Castells (1996), we are currently living in a Network Society — where increasingly networks, not hierarchies, are the dominant form of organization for non-profits, corporations, governments etc. Similarly, scholar David Grewal (2008) identifies the process of globalization as the rise and global spread of standards that allow people to coordinate their activities on a global scale and lead to the formation of worldwide networks. Numerous scholars have used these theories to map the global expansion of media corporations. However, no such study has been done on internet corporations and, in particular, social-networking websites, which serve both as user networks and business networks.

Facebook currently stands as the world’s largest social networking website, which certainly makes it an attractive network for individuals to join. However, it is also a business network, comprised of numerous nodes and associations, which depend on connecting with other organizations and businesses in order to expand its business internationally. This thesis investigates Facebook’s attempts to expand its business globally through a case study of the BRICS countries, with a specific focus on India. It examines these attempts by drawing on Castells’ and Grewal’s theories to explore their applicability in explaining how new media corporations, in particular social networking platforms, expand globally. The theories help

uncover and capture the dynamics and processes underlying Facebook's expansion into developing nations, to what extent this expansion is successful and the effect it has on the its competitors and the market.

### **1.1 Significance**

The rapid rise of Facebook has motivated many scholars to study the website; however, these studies are limited to how individuals, organizations, businesses and marketers use the Facebook platform as a tool rather than examining its growth and evolution as a self-propagating organization. Furthermore, accounts of how the website has amassed a large user base and the impact it has on competition remain scarce. In the past year, particularly in the aftermath of the "Arab Spring" in the Middle East and the "Occupy Wall Street" protests in America, there has been significant optimism surrounding the role of Facebook as a facilitator of citizen activism. Focusing solely on the website's utility for social activism obscures the fact that it is a publicly traded corporation, whose primary motive is to maximize profits for its many stockholders. Traditionally media products and media corporations have come under scrutiny for their expansion into developing countries, where their presence is seen to affect both indigenous cultures and industries. Perhaps because of the novelty of social-networking platforms or the optimism that surrounds them, they have not been analyzed from this perspective.

As mentioned above, while previous studies have focused on how organizations and individuals use Facebook, not many have focused on the company's business strategies. Furthermore, no academic research has specifically looked into Facebook's expansion into developing countries from a network perspective. Having undergone economic liberalization within the past twenty years and being home to a seventh of the world's population and the world's largest democracy makes India a compelling case study. By examining Facebook's

expansion in India, this thesis elucidates how the network is expanding both on the individual level by adding users and on the meso (organizational) level by connecting with Indian businesses, as well as local and global corporations and the impact it has on the Indian market and indigenous competitors.

## **CHAPTER 2: BACKGROUND**

### **2.1 Origin**

Within eight years of its founding, Facebook has evolved into a multi-billion dollar corporation and the world's largest social networking website. Social networking websites are:

web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system (boyd and Ellison, 2007).

Facebook was not the first social-networking website to be available to internet users, but it quickly surpassed other social networking websites, such as Friendster, MySpace and LinkedIn, and crossed a billion users in 2012.

In 2004, Mark Zuckerberg, then a sophomore at Harvard University, launched Facebook's website from his dorm room (Kirkpatrick, 2010). At the time, Facebook registration was only open to users with a Harvard.edu email address, with the additional requirement that they use their real name, making it the first social networking website that validated its users' identity. After gradually expanding services to other colleges and universities, certain companies, and high school students (Metz, 2004), in September 2006, the website opened its doors to anyone who had an email address and was over 13-years of age. According to Facebook, this decision was taken so that internet users who were not in college or working "can all connect" using the platform (Abram, 2006). By January 2007, merely three months after Facebook opened its membership to everyone, the number of users climbed from nine million to 14 million, and it

appeared that the company's move paid off as millions of users from all over the world scrambled to be a part of the website.

To get its newly acquired users to spend as much time on the website as possible, the company announced that it would launch a Facebook platform that would allow independent developers access to the website's social graph<sup>1</sup> and to create and run applications on the website. As of April 2012, there were over nine million applications integrated with Facebook (Darwell, 2012). Facebook also allowed brands, individuals, organizations and businesses to connect directly with audiences through Facebook Pages. While opening the website to everyone and adding applications attracted users to Facebook, Facebook Pages proved to be extremely popular with advertisers and by April 2012, there were 42 million Facebook Pages on the website (Darwell, 2012).

Facebook's immense popularity led to staggering financial success. In 2007, a year after declining Yahoo Inc.'s one-billion-dollar takeover offer, Facebook sold a 1.6% stake in the company to Microsoft for \$240 million dollars, which valued the three-year-old company at \$15 billion. The website, which makes a majority of its revenue through display advertising, earned \$3.7 billion and posted a profit of one billion dollars in 2011 (Raice, 2012). Although, typical of large media and internet companies, the sum was much greater than the earnings of other social networking platforms.

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<sup>1</sup> According to Facebook's website, the "social graph" represents "people and the connections they have to everything they care about." And the Graph API "presents a simple, consistent view of the Facebook social graph, uniformly representing objects in the graph (e.g., people, photos, events, and pages) and the connections between them (e.g., friend relationships, shared content, and photo tags)."

## **2.2 Facebook I.P.O.**

In a move to go public the company filed for an I.P.O. in February 2012. The news of Facebook going public soon raised questions about how it would balance advertising profits and user privacy and whether it could manage to grow globally (Raice, 2012). Facebook held its much anticipated I.P.O. on May 18, 2012. It offered buyers a 15 % stake in the company at \$38 a share, which valued Facebook at \$104 billion. By the end of the day 421 million Facebook shares were traded on Wall Street, valuing the company at \$104.2 billion (Spears & Frier, 2012).

Even with its large valuation Facebook's stock did not gather steam and hit an all-time low at the end of July. This was due to a decline in the number of its web users and the fact that Facebook's second quarter earnings were seen as dismal by many (Blodget, 2012). Since the company was still struggling with producing a proven advertising plan for its website and with coming up with ways to monetize its mobile application, consumers and advertisers questioned whether it had a sound business model that would drive revenue growth (Ortutay, 2012). Questions about the website's international expansion were raised simultaneously as most of Facebook's international users access the website via mobile phones (Darwell, 2012; Bea, 2012).

## **2.3 Expansion into BRICS Countries**

Though a majority of Facebook's revenue comes from the United States, non-domestic sources have accounted for an increasing percentage of its revenue over the past few years. In 2009, about a third of the company's revenue was brought in from non-domestic markets; by 2011 the number rose to 44% (Tsukayama, 2012). With more than half of the U.S. population already on Facebook (Chapple, 2012) and 60% of the online population in U.K. registered on the website (Giles, 2012), the company turned toward developing countries as areas of potential growth (Lakhotia, 2012). Facebook has successfully expanded into Brazil and India and between

2010 and 2012 it has surpassed the Google-owned social networking website Orkut to become the top social networking website in both nations (Radwanick 2012; Radwanick, 2010). In 2012, the company recognized India and the BRICS countries as sites of further growth and noted in their S-1 filing that they “had 46 million MAUs [Monthly Active Users] in India as of December 31, 2011, an increase of 132 per cent from the prior year” and spelling out its strategy for international expansion Facebook added that it would “continue to focus on growing our user base across all geographies, including relatively less-penetrated, large markets such as Brazil, Germany, India, Japan, Russia, and South Korea” (Times of India, 2012; Economic Times, 2012).

Table 1 Facebook Statistics in BRICS Countries

Country	Number of Users*	Penetration of Total Population	Penetration of Online Population
Brazil	60, 665,740	28.75%	76.13%
Russia	7,148, 320	4.60%	10.74%
India	60, 545,100	4.67%	67.60%
China	583, 840	0.04%	0.14%
South Africa	6,548,940	11.06%	100%

\*As of November 2012

Data Source: Social Bakers

Since Facebook’s financial success is predicated on its ability to attract potential consumers to advertisers, efforts to expand into nations with developing economies and large populations is a top priority for the company. Facebook enjoys positive network externalities (Wright, 2012), i.e. as more people join the network, the network becomes more useful and valuable. Therefore, while the number of current users on the website makes it an attractive social network for users to join, if it manages to successfully expand into foreign countries with large populations, the website will be an attractive venue for advertisers too.

The BRICS countries (Brazil, Russia, India, China and South Africa) are home to 41% of the world's population and account for almost a fifth of the world's GDP (Portal Brasil, 2012), which makes them a lucrative site for Facebook's expansion. In 2010, in an effort to increase its user base in Russia, the company participated in talks with local mobile phone operators (Novosti, 2010). Facebook, at the time, was the 5th most popular social networking website in Russia, a country where users spend the most amount of time on social networking websites (Ioffe, 2010). Facebook adopted a similar strategy to expand into India and partnered first with Airtel, one of India's largest telecom companies, and then more recently with Mediatek, a low-end cell phone manufacturer, in order to provide free access to the website on Indian cell phones (Airtel, 2010; Ricknas, 2011).

Much like another American internet giant, Google, Facebook has not successfully expanded into China. While Zuckerberg's 2010 visit to China triggered rumors of possible expansion into the nation, two years later no deal has materialized (Anna, 2010). The absence of global players in the Chinese market provides an advantage to indigenous companies (Singh, 2012). According to the web analytics website, SocialBakers, there are currently half a million Facebook users in China, who access the website through virtual private networks (Singh 2012) Facebook, however, cannot officially monetize these users' activity, since it cannot sell any advertising that targets Chinese users.

MXit is currently South Africa's most popular social networking website with almost 10 million users followed by Facebook, which occupies second place and is adding users at a steady pace (Vermeulen, 2012) At the end of August there were 5.33 million Facebook users in South Africa (Peter, 2012) out of whom 80.5% of users access the website from their mobile phones

(Marc, 2012) Facebook has penetrated 11.06 % of the South African population, with Facebook mobile being the primary driving force in the websites growth in South Africa (Peter, 2012).

In contrast to South Africa, Facebook has achieved the top position among social networking websites in Brazil, where according to Nielsen Ratings (Lunden, 2012) 38 million users logged on to the website in March 2012. Facebook adoption initially lagged in Brazil and in August 2011 Facebook opened an office in Sao Paulo to connect with local businesses (Prescott, 2011). By the end of 2011 Facebook audience had tripled from the end of 2010 and by the end of 2011 the website surpassed Orkut in popularity.

Table 2 Facebook Strategies in BRICS Countries

Country	Standards so users “can all connect” Yes/No	Platform open for third-party developers Yes/No	Physical Office Yes/No	Partnerships with Telecom Providers Yes/No
Brazil	Yes	Yes	Yes	No
Russia	Yes	Yes	No	Yes
India	Yes	Yes	Yes	Yes
China	Yes	Yes	No	No
South Africa	Yes	Yes	No	No

## 2.4 Expansion into India

Once Facebook changed the standards for inclusion in its user network and allowed anyone with an email address to register for an account, the website was officially open to all Indians with an internet connection. In July 2010, Facebook opened an office in the country, in the city of Hyderabad. Just two months later, the website overtook Google-owned social networking website Orkut and other indigenous competitors, such as Ibibo and Bharatstudent, and became the top social networking website in India<sup>2</sup>.

<sup>2</sup> According to Alexa as of July 2012, Facebook also ranks as India’s 3rd most popular website.

In November, 2011, Vaughan Smith, the company's vice-president for mobile partnership and corporate development, highlighted India as a key region for Facebook's growth and said, "India is our third largest market in terms of number of users and what we're excited about and why we're here is because some time in the future, we think that India will pass first Indonesia, which should happen soon, and then US" (Aulakh, 2011).

Currently, 121 million Indians are logged on to the internet, which although is a large number, is only a small proportion of the total population of 1.2 billion. In comparison to internet users there are a far greater number of mobile subscribers in India, with the number currently at 900 million. More than a half of the internet users in the country access the internet solely from their phones (Vaidyanathan, 2012). While Facebook makes an average of \$3.20 per user for users from North America, it only makes \$0.55 per user for users from Asia (Darwell, 2012); therefore, for the company to see a significant revenue growth in India it needs attract more mobile phone users and monetize their membership effectively. The large untapped market of mobile users, the company's rapid rise in India and ambitious plans for future growth make the country a compelling case study.

Facebook has adopted a similar expansionary strategy in most BRICS nations, with the exception of China where it is banned. Facebook's rise and popularity in Brazil and India shows that its strategy to expand into some developing countries has been successful. However, the company has failed to break into China, due to heavy internet censorship among other reasons, or achieve a top position in Russia and South Africa. This raises several questions about the company's international expansion strategies and the degree to which they are successful - questions that this thesis seeks to answer.

## CHAPTER 3: LITERATURE REVIEW

### 3.1 American Media Products in the Global Marketplace

American cultural and media products have typically dominated and still continue to dominate the global marketplace. Out of the top ten media companies in the world, ranked according to revenue, seven are housed in the United States (see Figure 2). While not a significant importer of television programming, America is the top exporter of television products with 60% of broadcasted television in the European Union being produced in the United States. In 2011, the American television industry earned \$4.8 billion through its television exports (Kaczanowska, 2012a). Furthermore, the country is also home to the most profitable film industry in the world that in 2011 earned almost \$4.4 billion through exporting films to foreign markets (Kaczanowska, 2012b). After American media products, it is media from other Western, developed nations that enjoy access to the largest number of audiences worldwide (Thussu, 2010). As a result, not only do Western nations reap the benefits of economic power, but they also gain an upper hand in the power struggle in the global information economy (Thussu 2010, p. 236).

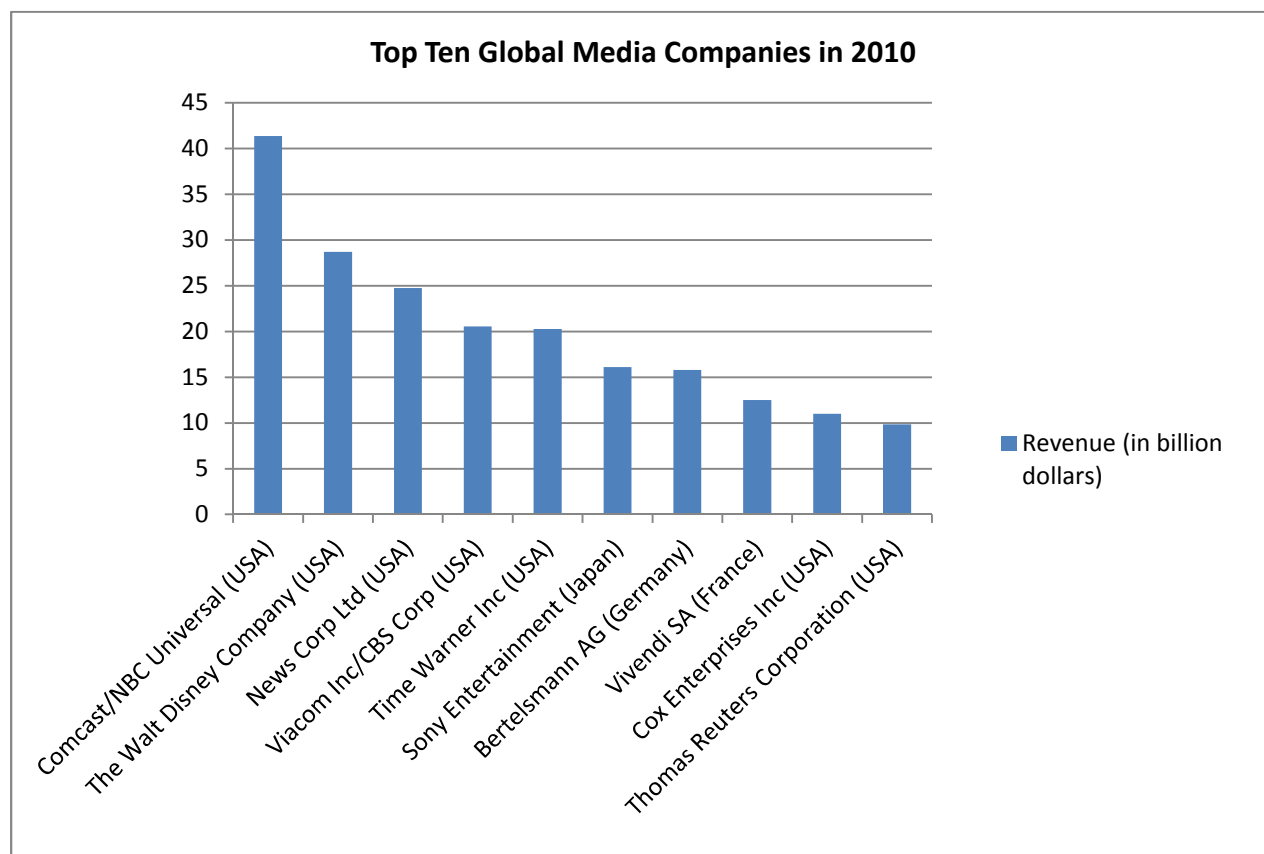


Figure 1 Top Ten Global Media Companies in 2010

Source: Statista 2010

### 3.2 The Global Diffusion of Information and Communication Technologies

The diffusion of information and communication technologies (ICTs) has produced similar results globally. Not only does the U.S. account for 50 percent of the web's total traffic, it is also the center of internet traffic due to its centrality in international networks of hyperlinks and infrastructure (McPhail, 2006, p. 305-306). In this vein Weber and Bussell (2005, p.64) note that:

From a global macro-perspective, the international political economy has changed little...the supposed "end of geography" effect has been anything but: look at a map of Internet bandwidth and notice the thickness of the lines that converge on North America relative to the extraordinarily thin coverage in the global South...The geography of

telecommunications is almost painfully reminiscent of colonial railroads that ran toward export ports but systematically avoided direct inter-colonial connections.

It is particularly important to note the worldwide presence of U.S. based new media and the fact U.S companies have created transnational new media platforms that other newer rivals will find difficult to challenge. American companies own eight of the world's top ten websites, ranked by traffic (see Table 3). However, the foray of U.S. based corporations, such as Facebook, into foreign markets marks a struggle. This is because some new sites of economic dynamism and market strength that are emerging are increasingly difficult to penetrate because a state might reserve its market for home grown companies<sup>3</sup> (Schiller, 2011).

Table 3 Top Ten Websites Globally

Rank	Website	Country of Origin
1	Facebook	USA
2	Google	USA
3	YouTube	USA
4	Yahoo!	USA
5	Baidu	China
6	Wikipedia	USA
7	Windows Live	USA
8	Twitter	USA
9	QQ.com	China
10	Amazon.com	USA

Data Source: Alexa, July 2012

Closely tied to the global spread of the internet and ICTs is the rhetoric of development and democratization associated with these technologies. Consequently, a majority of communication research focuses on the role they play in development and/or democratization. The idea that communication technologies, such as computers, mobile phones, internet etc., can bring about socio-economic development and help reduce disparities between the developed and

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<sup>3</sup> China is an example of one such country.

underdeveloped nations has gathered support from both scholars and policy makers alike (De & Ratan, 2009). Central to this belief is the claim that these newfound skills will help them overcome the barriers to inclusion in the global information society and allow them to compete in the global knowledge economy (Shields, 2011).

Similarly, over the past few years, especially following the “Arab Spring,” the democratizing potential of these technologies has attracted substantial attention. Scholars have debated whether ICTs, especially social media, help (e.g. Shirky 2009, 2010; Diamond, 2010) or hinder (e.g. Morozov 2009, 2010; Gladwell, 2010) citizen activism. A number of recent books have focused on the emancipatory potential of these technologies in authoritarian regimes (e.g. Yang & Stening 2009; Howard 2010; Zhang 2009) as well as books that warn of how political actors can use the same technologies for oppression (Goldsmith & Wu, 2006; Morozov 2011). What is missing from these accounts is that the providers of these technologies are often large companies whose motive is to maximize profits. Solely treating the technologies as agents of emancipation/oppression obscures the fact that these web 2.0 platforms are public spheres operated by the private sector (Mackinnon, 2012, p.9) and the profit making motives of the organizations that own them.

Indeed, the worldwide spread of ICTs has given audiences new ways to create and share information. Unlike any other time in history users now have the capacity to transmit messages from one to many - or engage in “autonomous mass self-communication” (Castells, 2007; Arsenault & Castells 2008a). Arsenault and Castells (2008a, p. 710) explain mass self-communication as:

the communication processes taking place in a global web of horizontal communication networks that include the multimodal exchange of interactive messages and documents from many-to-many in chosen time. It is mass communication because it reaches potentially a global audience. But it is self-communication because individuals

potentially generate their own content, choose the platform for its emission, and play an active role in shaping the reception process.

However, the authors add that though this form of communication gives users freedom, it also gives media businesses new markets to expand into, new content to monetize and new platforms to privatize (Arsenault & Castells, 2008a).

What is missing from previous scholarship on ICTs are questions of power and ownership; previous research assigns power to states while completely overlooking corporate actors. Furthermore, almost no research focuses on the effect the adoption of these new media has on indigenously-developed new media. Numerous scholars have warned of the drawbacks of solely concentrating on the uses of new media and not on the structures and agents that shape these environments, in particular corporate actors (Mansell 2004; Boyd-Barrett 2003; MacKinnon, 2012; Pereira, 2009). Similarly, Valtysson points out that:

despite the empowering, emancipative potentials of the various social network sites, it is still media power on a macro scale that designs the media environments for the best known and widely used web 2.0 platforms...One has only to think of the large multi-media corporations and Internet companies ...and their different media holdings and ownership relations ... to get another more colonizing view of the emancipative promises of the Internet, and the current media landscape (2012, p.81).

### **3.3 How to Frame Media Globalization**

Before analyzing the international expansion of Facebook, I turn to theories and methods that have previously been used to frame and analyze the international flow of media content in the current globalized landscape. While globalization is nothing new, it “assumes a defining form in each epoch and also shapes each epoch” (Boyd-Barrett, 2003, p.25). The media play a crucial role in shaping the processes of globalization because not only are media corporations increasingly globalizing their operations, but they also develop the infrastructure that facilitates global commercial activity and provide the images and information for us to make sense of

events occurring in far corners of the world (Flew, 2007). Therefore, any research on internationalization strategies media organizations should be framed in the context of globalization and the global flow of media.

For decades the advocates of cultural and structural theories of imperialism have explained that the predominantly one-way transfer of media, ideas, products and information from the West to the rest of the world, often occurs at the risk of destroying local cultures and industries (Schiller 1992; Boyd-Barrett 1997). The flow of media content from the West, therefore, is seen as an extension of Western domination over the rest of the world. The cultural imperialism theory states that the proliferation of Western produced mass media in developing nations destroys local media industries and acts as an agent of cultural homogenization and American political hegemony (Hallin and Mancini, 2004).

For example, Schiller (1991) argues that that instead of weapons the tools of cultural domination today are Western owned transnational corporations that that dominate the world market economy and most modes of media production and distribution. Schiller employs the concept of “soft power,” which is the ability of a nation or corporation to get what they want by co-opting with the use of cultural products and ideas rather than force, to show a shift in the type of power exercised by the dominant. According to Schiller, this is cause for concern because the hegemony of the West impacts developing nations both economically and culturally while acting in the benefit of the developed West. Although most cultural and media studies scholars today reject the theory citing its overly simplistic nature and for assuming that foreign media has a “direct, unmediated impact on audience behavior and worldview” (Kavoori & Chadha, 2000, p. 416), its proponents warn of the dependency and dominance that Western media creates and regard media imperialism to be a tool of cultural domination much like colonialism was in the

past. More recently, Boyd-Barrett (2010) has made the argument that the media imperialism theory is still a valid way of thinking about U.S. domination through media and even argues that it is applicable to the U.S. domination of ICTs (Boyd-Barrett, 2006).

Although to some scholars the current globalized landscape poses an ever increasing threat of cultural homogeneity, others adopt a more pluralistic view and argue that cultural imperialism is too simplistic a concept and does not capture the intricacies of the globalized landscape. Appadurai (2010) describes this worldwide spread as occurring through 'scapes,' that interact in multiple ways to affect the global and local economies, culture and politics. According to him, these scapes constitute the move of money, people, ideas, technology and media across the world in a highly non-uniform way. He adds that the relationship between these scapes is highly disjunctive and unpredictable and how they interact with each other depends primarily on the situation. This has profound implications for those who fear the Americanization or Westernization of the world, since these disjunctures produce unexpected results and produce cultural heterogeneity and not dominance. Though Appadurai's theorization of globalization is useful because it compels us to look beyond the state as the main source of hegemony and dominance, overall, it fails to take into account the internal dynamics of media organizations (Flew, 2007) and the political and economic structures that enable and control these movements of money, people, ideas, technology and the media (Ong, 1997, p. 11).

More recently, Thussu (2010) uses the concept of media flows in political economy analysis and maps the various flows of media that mark the global landscape by dividing them into two broad categories - dominant flows and contra or subaltern flows. Global media flows, according to Thussu, emanate largely from the United States and originate primarily in the West with the only exception being that of Japan. The United States emerges as the largest exporter of

cultural and entertainment media products and leads in the profit made from these industries too. According to Thussu, the widespread reach of American media allows the U.S. to exercise its soft power and promote the nation's economic and political interests. Thussu emphasizes the great disparity in the economic value of the dominant flows in comparison to the contra-flows. While he acknowledges the various contra-flows that mark the global media landscape, he asserts that merely the presence of a non-Western media flow is no reason to celebrate the end of Western media hegemony.

Though useful for highlighting the global North-South divide in global media distribution, mapping global flows does not shed light on the processes through which Western media maintain their dominance in the global media landscape. Furthermore, using the state as the unit of analysis can conceal where power really lies (state vs. multi-national corporations) and obscure instances where the origin of these contra-flows have close ties to Western capital and corporations. To elucidate how media globalization underpins domination, a closer look at the processes through which media corporations make their way into countries is needed. For example, Thussu's (2007) research on News Corp.'s expansion into India provides a rich and detailed account of the strategies that a Western corporation may use in expanding to other countries, how it leverages connections with both state and corporate actors to advance its goals and, finally, how its presence in the country affects both the market and its competitors.

Similarly, Arsenault and Castells' macro-level study of the largest media conglomerates (2008a) and research on News Corp. (2008b) sheds light on the strategies and processes through which these corporations advance their corporate goals, maintain their dominance and exercise their power. Rooted in the idea of a Network Society, the authors do not use a single media corporation as the unit of analysis, but map the network of global media corporations and the

corporations' specific place in it. Their analyses show that no corporation is truly global, rather the truly global entity is the network of multi-media corporations. The mapping of the global networks of media networks reveals that rivals often collude/compete on a case-by-case basis and link up with local organizations to expand internationally. The authors note that the ability of a corporation to connect to local partners and distribution channels is critical to the success of its global expansion (Arsenualt and Castells, p.708, 2008). Furthermore, their studies show that global media corporations localize their content to fit the market they are catering to and also help spread a corporate driven media model in these markets. Thus, they act as agents of localization and globalization simultaneously. Finally, their research shows that states exercise their power over global networks by controlling who enters their market and who can access their markets. Treating the network, and not the corporation as the unit of analysis, allows the authors to account for the horizontal networks of mass self-communication of users, while simultaneously highlighting how being a part of the global network of multi-media corporations is a source of power and resources.

### **3.4 A Network Perspective on Globalization and the World-wide Expansion of Facebook**

Facebook's international expansion cannot be analyzed without first addressing the underlying factors that enabled the creation and expansion of the multinational internet-based company. Facebook's global expansion is both symptomatic of and facilitated by globalization and the emergence of a global economy. While globalization is by no means a new phenomenon, it is only recently, in the late twentieth century, that we have witnessed a rise of a global economy based on infrastructure of information and communication technologies (Castells, 1996, p. 93). While some see the process of globalization as a "flattening" of the world

(Friedman, 2007) to others it is an uneven, complex, overlapping disjunctive order resulting from the differences in flows of technology, people, ideas, media and money across the world (Appadurai, 2010). However, ultimately, these perspectives fall short of explaining how the global economy, which is “an economy with the capacity to work as a unit in real time on a planetary scale,” really functions (Castells, 1996, p. 92).

According to Grewal, “globalization can be understood as the rise to dominance of shared forms of social coordination,” that allow people to coordinate activities on a global scale and lead to the creation of worldwide networks (2008, p.3). Therefore, examining globalization from a network perspective is particularly useful. Grewal argues that globalization can be best understood by examining these networks and the standards that are required to be a part of them. He adds that what we see as globalization today is actually, “the creation of an international in-group that welcomes the entire globe on settled terms: a new world order in which we clamor for connection to one another using standards that are offered up for universal use” and while these global standards may be accessed by all, not many play a role in their establishment (Grewal, 2008, p.3). This means that those who have the ability to create these networks wield the most power and influence in society.

The term “network” refers to relationships between objects or nodes, which can be organizations, human or even machines, which are linked to each other through associations. These associations can be interpersonal relationships, corporate alliances, exchange of information, etc. (Arsenault, 2011b, p. 2) According to theorist Manuel Castells networks “constitute the new social morphology of our society... [and] are open structures, able to expand without limits, integrating new nodes” (Castells, 2000, p. 500 -501), which allows them to expand globally. Nodes within a network vary in their importance to the network and a node’s

function depends on both its interaction with other nodes within the network and on the overall program of the network (Castells, 2009, p. 19). The interconnection of nodes does not imply that the network society is devoid of any power structures. In fact, power in the network society is exercised through these networks.

The “standards” are the shared norms and practices that allow nodes to access one another within a particular network (Grewal, 2008, p. 21). People’s desire to access members of a certain network can result in the spread of certain standards. This takes place through the adoption of standards by outsiders who previously were not part of the network (Grewal, 2008, p.23). The “standard” for joining Facebook’s social network is simply having a mobile or internet connection and declaring oneself as at least 13 years of age, which allows it to spread easily among users. The most valuable standards are those that are adopted by the greatest number of people; and since valuable networks can attract users from other networks there is a possibility that alternative standards can get eliminated over time (Grewal, 2008, p. 25-26). The global popularity of Facebook, thus, presents a challenge to both its global and regional competitors.

The possibility that the adoption of certain standards may lead to the elimination of others is a source of inequality in the current global economy. Therefore, Facebook poses the greatest threat to other social-networking platforms; their use may decline because Facebook may be perceived as a more attractive network to join based on its popularity. Furthermore, those who are members of networks that constitute the core of the global economy hold power over those who are excluded from these networks (Castells, 2011, p. 774). Power also lies in the hands of social actors who have the ability to program networks according to their goals and/or those who possess the ability to connect different networks by sharing resources and common goals

(Castells, 2011, p. 776). Thus, networked forms of organization may privilege some individuals and the networks joined by switchers who co-ordinate network activities and share resources while leaving others behind.

Network power can also make people change networks. If one views a certain network as more attractive based on its members or the standard that connects it, s/he can either leave his/her network and join the other, or, whenever possible, be a part of both simultaneously (Grewal, 2008, p. 28). It is important to note that while networks have the power of coercion, they cannot take agency away from people. Counterpower, which is the ability of social actors to resist network power, is exercised through the very mechanisms that enforce power (Castells, 2011, p. 78). Counterpower, therefore, can be exercised by “fighting to change the programs of specific networks and by the effort to disrupt the switches that reflect dominant interests and replace them with alternative switches between networks” (Castells, 2011, p. 773).

Facebook possesses the ability to exercise its network power on two distinct levels. Facebook is currently the world’s most popular social networking website and network externalities make it an attractive social network for users to join. However, it also serves as a switch between business networks and its user network, which is a source of power for the company among corporations. This thesis draws on concepts of network power, standards and counter-power to examine Facebook’s expansion into developing countries through the case study of India.

#### **CHAPTER 4: RESEARCH QUESTIONS**

This thesis examines Facebook’s expansion strategies in India through the theoretical lens of networks and using Castells’ and Grewal’s theories of power and processes in the

Network Society. Based on the subject of inquiry and the review of literature this study is designed to answer the following questions.

As indicated by Arsenault and Castells (2008) and Thussu (2007), media corporations network with both global and local organizations on a case-by-case basis in expanding to other countries. Therefore, I ask:

RQ1: a) what are the standards for inclusion in Facebook's corporate network and how does Facebook circulate these standards?

b) What specific horizontal and vertical networking strategies did Facebook adopt to successfully expand into India?

Similarly, past studies have shown that while expanding operations in other countries large media organizations affect both the market and their competitors. RQ 2 is formulated with this in mind.

RQ2: How are Facebook's expansionary strategies similar or different from:

a) its global competitors

b) its local competitors, indigenously created social networking platforms

c) and, how does Facebook's network power affect them?

Facebook's customers are advertisers and its product, its user network. Examining user behavior - how Facebook users employ the website for interpersonal and mass self-communication- is beyond the scope of this project. RQ3 focuses instead on corporate strategy, how Facebook expands its user network and collects more eyeballs for its many advertisers.

RQ3: What specific strategies has Facebook adopted to circulate its standards among Indian users and how does it make the adoption of these standards easier for them?

In the process of expanding to other countries media corporations do not just “roll over” the nation state (Flew, 2011). The state acts to facilitate and hinder the international expansion of media corporations. My next question is designed to explore the role the Indian government has played in assisting and/or blocking Facebook’s expansion into India.

RQ4: a) What role has state regulation/deregulation played in the expansion of Facebook into India, more specifically, how has it allowed/blocked Facebook from circulating its standards?

b) How does the Indian state exercise its counter-power against Facebook’s unbridled expansion into the country?

The method and theoretical framework I will use to answer these questions are discussed in the next section.

## **CHAPTER 5: METHODOLOGY**

### **5.1 Theoretical Framework**

In the past scholars have used the network perspective to examine the role Facebook plays in the accumulation of social capital (Ellison, Steinfield & Lampe, 2007), in strengthening bonds with weak ties (DiMicco et al, 2008), and to uncover patterns of information revelation and their impact on privacy (Gross & Acquisti, 2005). While previous studies have focused extensively on the social networks formed through the website, none of them have examined how Facebook, the company, expands its corporate network and maximizes its network power. Previous studies on multi-national media corporations, such as News Corp. and Disney (Arsenault & Castells, 2008a; Arsenault 2011a) have used network analysis to show how these organizations leverage power in the network society; however, these studies have not been extended to social-networking websites. Applying this method to Facebook provides insight into how internet-based corporations negotiate the power dynamics of networks to maximize their financial gains.

Flew (2011, p. 100) argues that:

Internationalization strategies of large media corporations need to be subjected to more empirical analysis, to better understand the motivations that underpin international expansion, the relative success of these strategies, the relationships that emerge with the nation-states of the host countries, and the effectiveness of competition they face from local industries

Keeping these points in mind, I take a “network political economy” approach (Arsenault, 2011a, p.102) in examining the overseas expansion strategies of Facebook. A network political economy approach does not replace traditional methods of political economy research, but complements them. The method differs from political economy because it sees networks as the defining features of international media and communication corporations (Arsenault, 2011a, p.102).

A network political economy approach also goes beyond analyzing capital and markets and instead focuses on analyzing the programs, processes and structures that characterize the network and the nodes and associations that constitute it (Arsenault, 2011a). The network political economy perspective does not focus solely on consolidation and competition within markets, but assigns great importance to processes of collaboration between network nodes. Furthermore, this approach, in contrast to the political economy approach, sees power as embedded in networks and not in corporate hierarchies. Power, then, is not concentrated in one corporation but is “embedded in the processes of association between key nodes in the network, which may include regulators, relevant political agencies and equipment manufacturers” (Arsenault, 2011a, p. 103).

## 5.2 Method

The chosen method for this project is a qualitative case study using qualitative network analysis. As part of my analysis, I map the network of Facebook's expansion into India by tracing the various nodes that Facebook connects with and the types of associations or ties between Facebook and these nodes. Nodes include people, businesses and corporations and the associations or ties include partnerships, the flow of money and the sharing of technology.

Case studies enable researchers to gain a holistic perspective and observe phenomena that may be emergent and/or fleeting (Noor, 2008). A drawback of case studies is that they lack generalizability (Ibid.). However, since preliminary research has shown that Facebook has adopted similar expansionary strategies in developing countries, looking closely at its expansion in India will illustrate, to a certain extent, the process of its expansion in all developing countries.

## CHAPTER 6: ANALYSIS

### 6.1 How Facebook Expands its Organizational Network

#### 6.1.1 *Local Nodes, Global Network*

Early in 2010, Facebook announced its plans to open an office in Hyderabad, India through a blog post on its website. This was the first step the company took to strategically expand their organizational network in India (Faul, 2010). Facebook announced that it planned on investing \$150 million on opening an office in the southern Indian city and would hire up to 500 people to work from the new location (Pahwa, 2010). These plans were made public at a time when eight million Indians had already created a Facebook account and numbers were steadily continuing to rise. Hyderabad was chosen because it is an I.T. hub, housing the offices of many other large corporations, such as Google and Microsoft. Being in the region provided Facebook with access to a skilled and cheap labor force; made it easier to connect with other

companies and advertisers in the South Asian region (Reuters, 2010); and facilitated more effective communication with the Indian government at the local, state and national level (Pahwa, 2010).

Kirthiga Reddy, an Indian expat previously based in the U.S., was chosen as Head and Director of Online Operations for Facebook India, along with Manoj Varghese who would serve as Director of User Operations. Reddy and Varghese had previously worked with American multinationals. Prior to joining Facebook Reddy worked for Motorola and Phoenix Technologies and Varghese for Google and Dell India (Pahwa, 2010). The two had previously helped these companies expand and maintain their operations in India. In October 2011, the company also hired Ankhi Das as their Head of Public Policy for India. Das, who had earlier served as Director of Public Policy for Microsoft India, was hired to deal with the Indian government's demands that all material uploaded on Facebook's social networking website be pre-screened (Business Standard, 2011). By setting up an Indian office Facebook was able to tap into the network of Indian professionals and recruit them to work for Facebook India.

The success of a corporation's expansion is predicated on how well it can connect to local channels of distribution and local partners (Arsenualt and Castells, 2008a). As stated earlier, today media corporations are organized in a global network that allows them to operate in different parts of the world through partnerships and alliances. However, not only are these corporations interconnected nodes in a global network, but they also function as a network internally with internationally distributed nodes (Ghosal and Bartlett, 1990). By opening an office in India, Facebook can connect with local partners in India while remaining rooted in the U.S. (currently its largest market in terms of revenue). The Facebook India office serves as a node in Facebook's internal network. While it operates independently, adapting to the legal,

political and economic environment of the region, it is ultimately governed by the programming and the goals set by Facebook's headquarters in Menlo Park, California.

Connecting with the government, advertisers and other corporations to most effectively grow and monetize its Indian user base was contingent on Facebook's physical presence in the country. Opening an office in India facilitated this process for Facebook. The company entered numerous partnerships with telecommunication service and hardware providers and several digital advertising and marketing agencies. As a result, the number of Indian Facebook users grew from 20 million in mid-2010 (Rebiero, 2010) to 50 million in 2011 (Statista, 2011) and continues to rise. Similarly, Facebook's strategy to open an office in Sao Paulo, Brazil in 2011 led to the tripling of the number of Facebook users in the country within a year.

### ***6.1.2 Replicating Markets, Creating Consumers***

Most Indians access the internet through their cell phone. Therefore, Facebook has adopted a horizontal networking strategy that primarily focuses on the mobile population in the country by entering partnerships with the largest players in the country's telecommunications industry. When expanding into foreign countries, "global giants break into new markets and effectively reprogram the regional market toward a commercial format," and they do so not by buying or taking over local and regional companies but by entering partnerships with them (Arsenault, 2011a, p.116). Facebook picked a localization strategy based on mobile phones because of the extent to which the technology permeates Indian society and partnering with the largest telecom service and hardware providers in the country proved to be most effective for the company.

As stated earlier, while 121 million Indians have access to the internet via desktop and laptop computers and tablets, a staggering 900 million own mobile phones, making this a large, lucrative and untapped market for Facebook. Creating a market for social-networking platforms

among India's mobile population is critical to Facebook's growth in the country. At the same time, due to the website's large user base it leads among all other Indian websites in terms of revenue through advertising and an increasing number of Indian companies are using the website as an avenue to engage with and advertise to their target consumers (Internet and Mobile Association of India, 2012). Facebook's large user network presents an incentive to Indian telecommunications companies to partner with the company and in the process create a larger market for expansion and more consumers for their products.

In the past two years Facebook has entered partnerships with most of India's telecommunications giants, all of whom have revenue of more than \$1 billion a year. These partnerships target both the manufacturing of hardware (i.e. phones) to access Facebook to services that make it easier for users to access Facebook through their phones.

In 2010, Airtel, the largest mobile telephony provider in India, started offering users free access to Facebook's mobile site, m.facebook.com, without any data charges as part of a two-month long promotion. New mobile internet users had to simply text the word "Facebook" to a number the company provided to access the service (CIOL, 2010) The same year Facebook entered partnerships with other telecom giants to provide users free access to 0.facebook.com, a lighter, faster version of their Facebook mobile site, for free. These companies included Reliance, Aircel, Airtel and Videocon.

A year later, in July 2011, Airtel, Reliance, and Aircel, again as part of a promotion, started offering their users the "Facebook for Every Phone" application for free and allowed them to use the application without incurring any data or mobile charges for a period of three months (The Mobile Indian, 2011). The application was tailored by Facebook for users in developing countries who access the internet through "dumb phones," or phones with basic

features and limited capabilities (Van Grove, 2011). Javier Olivan, Facebook's Director of International Growth, stated that the application was developed specifically to reach Indian users who owned cheaper handsets and that the 25 million Facebook mobile users in India was only a small percentage (2%) of the total population — the company had “so much work ahead” (Madhavan, 2011).

The same year Facebook, Airtel and, the Singapore-based mobile solutions provider, U2opia partnered to develop Fonetwish, a platform that enabled users to access Facebook via USSD (unstructured supplementary support data) instead of a browser. The service was targeted to cheaper handsets (Rai, 2011) since penetration of smartphones among Indians remains low<sup>4</sup>. The service, which cost Rs. 1 (approximately 18 cents) a day, could be accessed from mobile phones that received service from Airtel, Aircel, Idea, Videocon, Loop mobile or Tata Docomo and operated on any cell phone with text- messaging capabilities.

While the partnerships mentioned above dealt with Facebook connectivity, the company also entered partnerships to create the hardware with which users could access its platform. In October 2011 Tata Docomo, another leading telecommunications corporation, launched a Facebook phone that lets users access the website for free. The launch of this phone followed in the footsteps of another phone, the Vodafone Blue, by the phone company Vodafone-Essar, which was developed in collaboration with Facebook earlier in 2011. This too, provided purchasers with a free year of unlimited access to Facebook (The Mobile Indian, 2011).

In November 2011, Facebook announced a partnership with MediaTek, a Taiwanese company that produces software and chips for low cost phones, with the goal of developing Facebook applications for low-end phones (Forbes, 2011). The purpose of the partnership was to

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<sup>4</sup> At about 9% in 2012.

“bring Facebook to more devices, in more markets around the world and helping users to connect and share anywhere, anytime,” according to Vaughan Smith, vice-president of Facebook’s Mobile Partnerships and Corporate Development (Gupta, 2011). Though, it is not an Indian company, MediaTek has partnerships with popular Indian handset brands Spice and Micromax which bring affordable phones to lower income users. This partnership enables these users to access Facebook without a computer or expensive smartphone and at the same time allows Facebook to access these users and gather more eyeballs for its many advertisers.

Table 4 Summary of Facebook’s Telecommunications Partnerships in India

Company	Indian Market Share*	Connectivity Partnership	Hardware Partnership	Fonetwish USSD Access
Airtel	19.65%	✓	X	✓
Reliance	16.79%	✓	X	X
Vodafone	16.53%	✓	✓	X
Idea	11.90%	X	X	✓
Tata Docomo	9.34%	X	✓	✓
Aircel	6.90%	✓	X	✓
Videocon	0.61%	✓	X	✓
Loop	0.36%	X	X	✓
MediaTek	N/A	X	✓	✓

\*As of December, 2011

Market Share Data Source: Telemediatech

Facebook’s large user base had many Indian companies scrambling to be part of its organizational network; a network Facebook has to ensure grows because it is Facebook’s product while advertisers are its customers. As a result Facebook has entered partnerships with most of the largest players in India’s telecommunications market. Telecommunications companies willingly join Facebook’s organizational network because free and easy access to Facebook is an incentive for consumers to buy their phones and services. Furthermore, Facebook also serves as an effective platform for them to communicate with their current and potential customers through targeted advertising and Facebook Pages. While networks can add nodes and

expand infinitely (Castells, 2000), the adoption of Facebook’s social network standards by Indian users is contingent on their access to the social network. The widespread reach of these mobile service and hardware providers facilitates the spread of Facebook’s social network standards among an ever-increasing mobile population. Similarly, Facebook’s success in other developing countries like South Africa, where 80.5% of Facebook users access the platform through their mobile phones, depends on the company’s ability to collaborate with South African telecommunications companies.

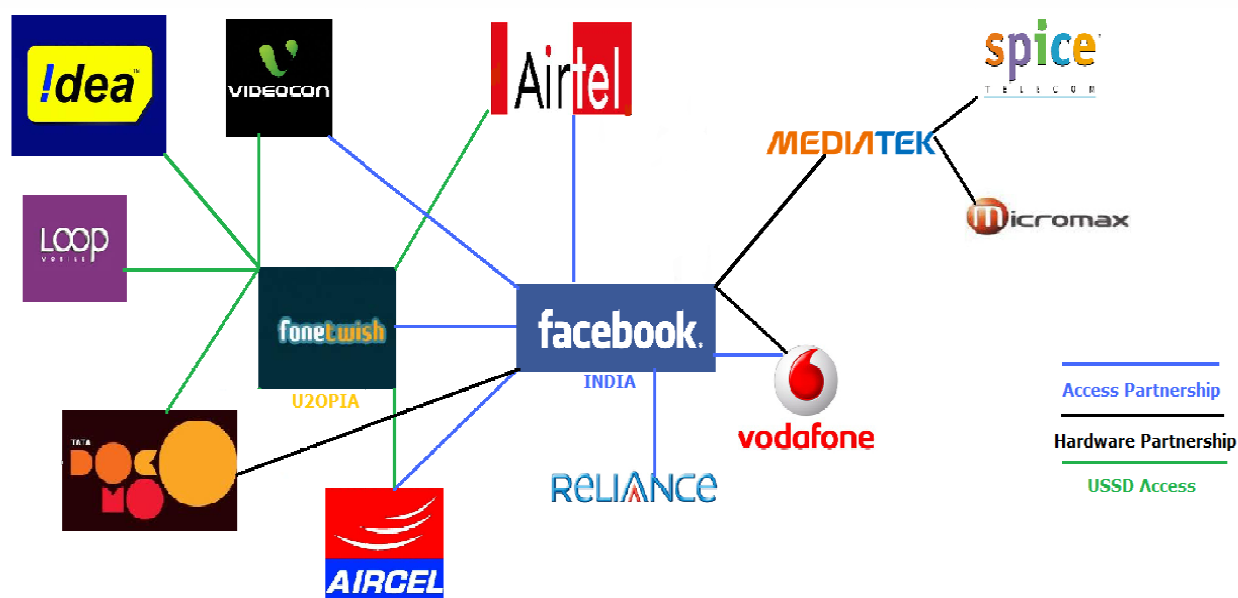


Figure 2 Network Map Representing Partnerships with Indian Mobile Phone Service Providers and Manufacturers

### 6.1.3 Switching Advertising and Audience Networks

The Facebook platform enables advertisers to connect with audiences through advertisements, “sponsored stories” and “Facebook Pages”. Facebook acts as a switch, or connection point, between its large user network and the advertisers that want to reach those (Castells, 2004). Brands can create Facebook Pages to connect to their audiences directly.

Facebook Pages are free and companies can customize them to include promotions, offers, coupons etc. Indian users are extremely responsive to Like Pages created by their favorite brands. A 2011 study by Nielsen India found that direct interaction between consumers and their favorite brands on social media was one of the main drivers for social media engagement with those brands (Nielsen Wire, 2011). Facebook, by connecting its social network and these companies, facilitates this interaction. Furthermore, Facebook also dictates the terms of this interaction and can end it whenever a brand violates them, costing them thousands and, in some cases, millions of connections with users.

Facebook has also entered a number of partnerships with Indian digital marketing and advertising agencies to sell advertising space on its website. These agencies represent both local and global clients. Therefore, instead of solely pursuing advertisers itself, Facebook uses partnerships with these agencies to access advertisers. Facebook has signed Reseller Agreements with two Indian advertising agencies, Komli Media and Ozone Media. Komli Media is an advertising agency that represents other global brands such as Viacom and MSN and whose advertisers include global brands such as McDonalds, Kraft and Toyota (Komli Media). Ozone Media's clients include international companies such as Yahoo! and Dell (Saxena, 2012). With more than 80% of Facebook's total revenue dependent on advertising, its connections with these agencies are critical to its financial success. These agencies connect Facebook to networks of local and global advertisers and can help Facebook maximize its share in a Rs. 3,535 crore, or approximately \$700 million, Indian digital advertising market (Afaqs, 2012).

#### ***6.1.4 Connecting to Parallel Networks of Application Developers***

By opening up its platform to third-party applications, Facebook offers a standard for application developers to connect to Facebook's organizational network. Developers have access

to Facebook's social graph and they, in turn, help Facebook keep its users online for long periods of time. The time a user spends on Facebook is directly proportional to the money Facebook can make from that user's engagement with the platform. Furthermore through Facebook Credits, the official currency for developers and users to trade virtual goods on Facebook's platform, the company gets a 30% cut of every transaction (Ingram, 2012). As step to further monetize the activity of Facebook's Indian user network, in July 2012 India was one of the first countries chosen for the launch of Facebook's App Center, which helps users find applications that are well-suited for them based on their Facebook activity (Times of India, 2012).

Since Facebook does not offer any of its own content and, the material that appears on the website is largely user-generated, applications created by third-party developers can often be tailored to the local. Local developers bring with them knowledge of the taste and preferences of Indian culture. Popular applications such as Angry Brides, a game that raises social-awareness about dowry (Munshi, 2012), and Saavn, a music application similar to Spotify (Rao, 2012), are developed for specific local tastes and audiences.

The most valuable standards are those that are adopted by the most number of people (Grewal, 2008). Facebook's large user network acts as an inducement for Indian developers to create applications for the website and connect with these users. As mentioned above, these developers often create applications specifically tailored to Indian users. Therefore, offering a standard for third-party developers to connect with it has proved to be an effective localization strategy for Facebook.

Facebook's organizational networking strategies in India have focused primarily on getting the country's large mobile population to join Facebook's social network. Facebook leverages its position as the world's largest social networking platform to enter partnerships with

the country's largest telecommunications service and hardware providers. These companies' help further circulate Facebook's social network standards among the Indian population. Partnerships with local advertising and marketing agencies bring global and local advertisers to Facebook. Opening an office in India has been critical to the formation of these partnerships. While telecommunications companies help Facebook expand its user network, local application developers offer content that keeps users online for longer periods of time. Furthermore, transactions run on Facebook applications are the second largest source of income for the company. Local application developers, then, also help Facebook maximize its revenue.

## **6.2 How Facebook's Strategies Differ From and Affect Competitors**

### *6.2.1 Comparing Strategies*

The top five social networking websites in India, after Facebook, are LinkedIn, Orkut, Twitter and, the indigenous, Ibibo and Bharatstudent. Although Facebook surpassed Orkut in popularity in 2010, it listed the website as a serious competitor for the Indian market in its SEC filing earlier this year (Facebook, 2012). According to Alexa, India is the second-largest market for both LinkedIn and Orkut, and the third-largest market for Twitter. As Figure 3 represents, Bharatstudent and Ibibo cater solely to Indian users, and India represents a large and important market for Orkut<sup>5</sup>.

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<sup>5</sup> 18% by itself doesn't seem to be a very large number, but since Brazil has 60.5% of all Orkut users, it makes India the website's second-largest market.

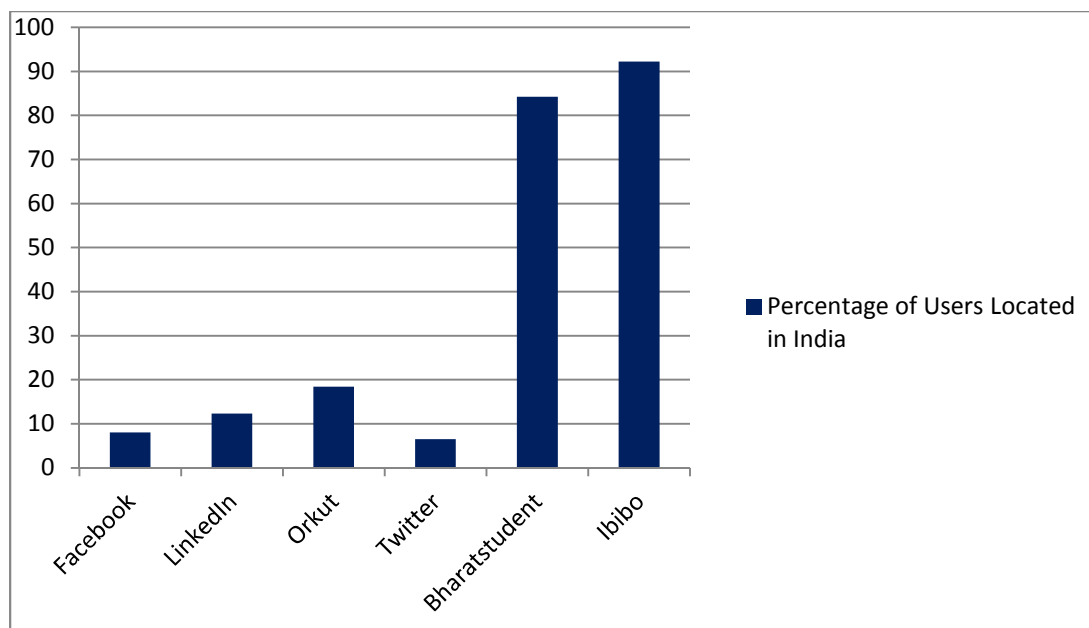


Figure 3 Top Six Social Networking Websites – Percentage of Users in India

Like Facebook, LinkedIn and Google (which owns the social networking websites Orkut and Google +) have each opened offices in the Indian cities of Bangalore and Mumbai.<sup>6</sup> The offices were opened so that the companies could tap into the pool of talent these cities had to offer and so that they could successfully expand their business into India by connecting with local businesses and advertisers. While Twitter has not opened an office in India, it has entered partnerships with mobile service and hardware providers. In October 2009, Airtel launched a five month long promotion that enabled users to access Twitter's mobile site for free (Twitter Blog, 2009). Recently, in July 2012, the mobile phone manufacturer MediaTek announced that it had partnered with Twitter to provide emerging markets with phones that will be pre-loaded with the Twitter application as a default feature (MediaTek News, 2012).

Making their platform available in local languages is a strategy that Facebook, Twitter and Orkut have each adopted to expand into India. In 2007, Orkut launched their website in five

<sup>6</sup> Like Hyderabad, Bangalore too is an IT hub located in southern India. Mumbai is considered to be the business capital of India.

different Indian languages (Hindi, Bengali, Marathi, Tamil and Telegu) and a transliteration tool on Orkut which enabled users to type “Scraps,” analogous to a Wall Post on Facebook, phonetically in English and have them appear in Hindi (Orkut blog, 2007). The company also actively sought user feedback on the efficacy of the process. In contrast to Orkut, which used professionals to translate its website, Facebook and Twitter have used crowdsourcing<sup>7</sup> and let its users translate the website into the language of their choice. In 2008, Facebook launched a Translations application on its website that enabled users to translate the website (Smith, 2008). Twitter, abandoning its initial plans for using professional translators, launched its Translation Center in February 2011 and added support for Hindi in September 2011 (Twitter Blog, 2011).

In April 2008, Orkut opened up its platform to third-party developers and allowed them to develop applications that could be integrated with the website. India was chosen as the first country for the Orkut Applications launch (Paid Content, 2008). Orkut’s applications, however, did not gain popularity since Orkut did not integrate games well on its platform and Facebook was successful in dislodging Orkut from the position of top social networking site mainly because it was perceived as “cool.” (Ribeiro, 2012).

Internal networking, partnerships with telecom service and hardware providers, localization by supporting Indic languages and opening up its platform to third-party developers are strategies that all these companies share. Facebook has the most comprehensive internationalization strategy — adopting all four of these effectively — which contributes to it being the most successful social networking platform, and the third most popular website in India.

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<sup>7</sup> A term coined by journalist Jeff Howe (2008) for the practice whereby businesses outsource jobs traditionally performed by professionals and employees to large groups of people, who may or may not be professionals and volunteer on their own time and are not paid for their work.

Table 5 Summary of Social Networking Platforms' Strategies in India

Social Networking Platform/Website	Percentage of users in India	Office in India: Yes/No	Platform open to third-party developers: Yes/No	Indic Languages Supported: Yes/No	Partnerships with Telecom Providers Yes/No
Facebook	8%	Yes	Yes	Yes	Yes
LinkedIn	12.3%	Yes	No	No	No
Orkut	18.4%	Yes	Yes	Yes	No
Twitter	6.5%	No	Yes	Yes	Yes
Bharatstudent	84.2%	Yes*	No	No	No
Ibibo	92.2%	Yes*	Yes	No	Yes

\* Are companies founded in India

### 6.2.2 Driving Social Gaming

The popularity of Facebook games in India has contributed to the creation of a social gaming industry in the country. While India had a vibrant gaming community, social gaming is new to the country. It has been driven, to a large extent, by the overwhelming popularity of games on the Facebook platform. It is common for companies to influence the practices of their competitors and drive the creation of new markets and industries in the process of international expansion. Today, mobile and online gaming account for 38% of India's \$171 million gaming industry (Gyan Analytics, 2012) and Indians account for 8-10 million social gamers online and on mobile phones (Singh, 2011).

The social gaming website, Ibibo was launched in 2007 as a social network and in 2012 positioned its social network entirely around online and mobile gaming (Saxena, 2012). Ibibo was conceived of as an alternative to social networking websites with a global audience (Broadband India, 2006); its founder has often stressed that its local-focus is the primary reason for its growth (Chibber, 2010). The company has partnerships with the Chinese mobile phone manufacturer, Huawei (Telecom Tiger, 2011), and mobile service provider, Aircel (Bleich,

2010), adopting a strategy similar to that of Facebook's. Seeing the potential of social gaming in India, the South African media company, Naspers and the Chinese investment group, Tencent, have invested almost \$40 million dollars into Ibibo over the past four years and now own the entire company.

In addition to being available on the web and mobile, Ibibo also runs an application on Facebook that lets users play its games on the platform. Like Ibibo, which maintains a gaming application on Facebook, the Reliance-owned social gaming portal, Zapak signed a deal with the Hong-Kong based developer 6Waves to introduce the latter's games to the Indian market on Facebook and process all payments from Indian users (Takahashi, 2010). Similarly, the Disney-owned gaming company, Indiagames runs numerous games on Facebook's platform, in addition to other mobile phone and online platforms (Indiagames). Facebook's standard connects these companies to Facebook's user network and to monetize it, while they simultaneously compete with Facebook by expanding their user network through their own and other platforms.

### ***6.2.3 Network Effects, Indigenous Websites in Decline***

The most valuable standards are the ones adopted by the most number of people. The global popularity of Facebook certainly has fueled its growth in India, but it has also had a negative effect on the website's many competitors. Among its competitors, Ibibo and Hi5 have shifted their focus from solely providing a social networking platform to repositioning themselves as social gaming networks. As stated earlier, Facebook was successful in dislodging Orkut from the position of top social networking site in India primarily because Facebook integrated games and applications well on its platform. Orkut, however, still has a large user base in India and is considered serious competition by Facebook (Facebook, 2012). Among Facebook's competitors it is the indigenous social-networking websites — offering less valuable

standards— that have been hurt the most by its expansion into India. In July 2011, Big Adda, a social networking and blogging website owned by Reliance<sup>8</sup>, closed down its social-networking website citing competition from Facebook and other global players as the main reason (Rath, 2011).

In mid-2011 Bharatstudent, a popular social networking website among young Indians, announced its integration with Facebook (Bharatstudent.com, 2011). The partnership allowed users to log onto Bharatstudent using their Facebook IDs, but not vice-versa. Anticipating competition from the spread of Facebook's user standard, Bharatstudent entered an unequal partnership with Facebook where the latter dictates the terms and conditions for inclusion within its corporate network.

Even among social gaming networks, companies are scrambling to be a part of Facebook's organizational network by developing games for the website. As stated earlier, while Facebook itself does not localize applications and features for its platform, by circulating standards among networks of developers, it lets them introduce region-specific content. For example, the Reliance-owned gaming portal Zapak runs applications that let users access all its games on Facebook's platform. Facebook, then, is offering its users access to the largest user network and localized content.

Facebook's large user base makes its standards valuable, but being physically located in Menlo Park, California gives Facebook an advantage over its local, Indian competitors. From its early stages, Facebook was well connected to financial networks and venture capitalists. The ability to create networks, or network-making power, is a source of immense power in the network society, a power that most local websites lack. As a result, Facebook's competitors are faced with the choice of joining the social networking platforms organizational network or see

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<sup>8</sup> The mobile service provider, which also owns Zapak, the social gaming portal.

their number of users and revenues dwindle. As Figure 4 indicates, among the indigenous social networking and gaming platforms, several have chosen to connect to Facebook's organizational network.

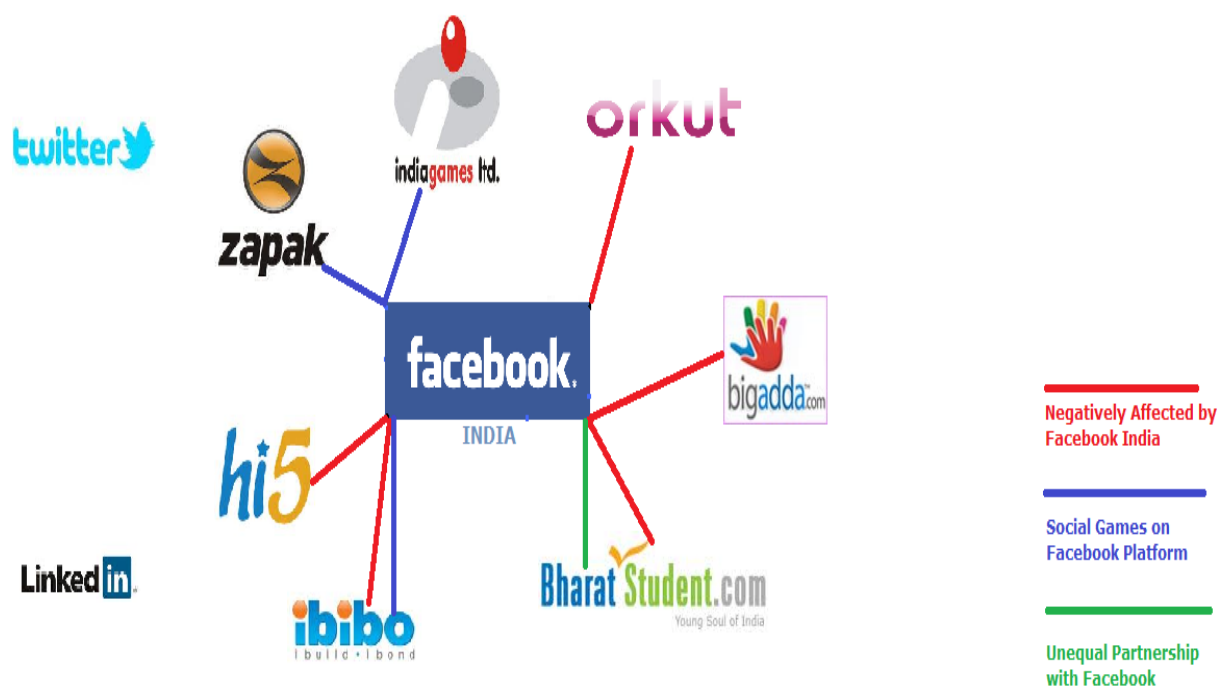


Figure 4 Network Map Representing the Impact on Social Networking and Social Gaming Platforms in India

## 6.3 How Facebook Spreads its Standards among Users

### 6.3.1 Standards so users “can all connect”

Facebook, which started as an exclusive network for college students, changed its standards for inclusion on September 26, 2006 by allowing anyone with an email address and those who declared themselves to be at least 13-years-old to create an account on its website.

Access to Facebook for users is free, as users are its product, while advertisers are its customers. To reach as many Indians as possible and include them in its user network, Facebook has effectively adapted its strategies to focus on the nation's large mobile population. As detailed in section one of this analysis, partnerships with the largest mobile service providers and hardware manufacturers have spread Facebook's user standard among a significant cross-section of society. Users with smart phones have the option of using a Facebook application or Facebook's mobile site to access the platform; and those with lower-end phones can employ a text-message based USSD service to access their accounts. In October 2012, Facebook India launched its own promotion by offering Rs. 50 (about \$1 USD) to users who signed up for their mobile site and an additional Rs. 50 for every referral made (Medianama, 2012).

Facebook's user network is programmed to grow indefinitely; however, the network's growth is dependent on the adoption of its standards by user nodes. By targeting the country's large mobile population, Facebook has ensured the constant addition of user nodes to its social network by making it as simple as possible for Indians to adopt its user-level network standards. Facebook has effectively adapted its strategy to the technology available in India, but the successful replication of this strategy in other countries depends entirely on the willingness of local corporations to connect to Facebook and help it circulate its user standards. Furthermore, government regulations can block the spread of standards too, as is the case in China. While offering standards for all users can be an effective strategy, its success is entirely predicated on local businesses and corporations' desire to connect to Facebook and the government's acquiescence to the platform's expansion into the state.

### ***6.3.2 Crowdsourcing Language Translation***

Section two of this analysis highlights how the translation of their platform into Indic languages is a strategy that global internet companies have adopted to successfully expand their business into India. This includes translations by professionals and by using crowdsourcing to translate the website into various Indic languages. In 2008, Facebook launched its Translation Application through which users could submit translations of phrases on Facebook and vote on translations by other users (Smith 2008).

At the time, 80% of internet users lived in urban areas and spoke English. However, translating the website into other languages was important for Facebook to expand its network to add users from non-urban areas and access India's large mobile population. By May 2009, Indian users could access Facebook in one of seven languages -English, Hindi, Bengali, Punjabi, Telugu, Tamil and Malayalam (Lee, 2009). The proliferation of cheaper smartphones and mobile handsets and the expansion of internet infrastructure in the country are rapidly changing the profile of Indian internet users (Rana, 2012; Sharma & Thoppil, 2011). As a result, more and more non-English speakers and non-urban dwellers have access to these technologies. Facebook's strategy to crowdsource translations into many Indian languages makes it easier for these new internet and mobile users to join Facebook's social network and for Facebook to further grow by adding nodes to their user network and by monetizing their activity.

### ***6.3.3 Cycle of Standard Circulation***

Facebook's expansion in India has followed a cyclical pattern. The website's user base has made it an attractive avenue for advertising and marketing, which means that large corporations in the region readily share Facebook's goal or program for expansion. They see the website as a vehicle to connect with potential and actual consumers. These corporations help

circulate Facebook's standard at the individual/user level, which leads to an increase in Facebook's user base. This pattern is illustrated by examining which Indian brands use Facebook most extensively to connect with their audiences. Tata Docomo, Vodafone and Idea, three of the telecommunications companies that have entered partnerships with Facebook, are the first, second and eighth most popular brands on the website among Indian users (Social Bakers, 2012).

Table 6 Top Ten brands on Facebook India Data Source: Social Bakers

Rank on Facebook India	Company	Number of Fans on Facebook
1	Tata Docomo	9, 719, 900
2	Vodaphone	4, 751, 284
3	Kingfisher	4,733,199
4	Fastrack	4,599, 360
5	Nokia India	4,594,487
6	Samsung Mobile	4,029,491
7	Axe Angels Club	3,905,012
8	Idea	3,837,406
9	Shoppers Stop	3,772,251
10	Pepsi India	3,415,765

Facebook's position as a switch, or a connecting point, between corporate and advertising networks and its user network, is a source of power that allows it to assert control over others. Facebook has the ability to advance the goals of certain corporate and advertising networks and at the same time has the power to disrupt connections between these networks. In 2011, Facebook India took down the official pages for two brands, Cadbury and Pizza Hut India, from its website due to violations of promotion guidelines (Iyer, 2011). According to Facebook's promotional guidelines, brands have to develop external applications or tabs to run promotions and offers. Because these companies used Facebook's Wall and Like applications in their promotions, Facebook removed their pages. Considering that Cadbury and Pizza Hut India are in

the top brands by audience response rate on Facebook, the company's ability to shut down these brands pages allows Facebook to dictate the rules and provides it with power over nodes within its internal network. Facebook provides a common standard for networks of users to connect to brands, but companies have to follow the rules set forth by Facebook or risk losing the audiences they have amassed over the years.

Not only does Facebook hold power over companies that use its platform to connect with their audiences, but it also poses a threat to competing platforms. This includes indigenous social networking platforms, whose inability to attract businesses may result in the decline and possible elimination of its standards. While this may signal the dominance of Western new media on local business and culture, this section creates a far more complicated picture. Because people tend to favor their own culture, Facebook has to localize its content to appeal to users. It does this by crowdsourcing language translations and circulating its standards among application developers. Facebook also depends on key connections with local businesses to increase its revenue through advertising and the number of users in its social network. Furthermore, in countries where the government protects its market for local internet companies, such as China, Facebook cannot leverage its position as a switch between advertiser and audience networks to expand successfully and grow its organizational and user networks. Collaboration with other corporations and businesses and localization of content are the key to Facebook's global expansion. As the next section details, the state can act to both facilitate and hinder these processes.

## **6. 4 How the Indian State Facilitates and Mitigates the Spread of Facebook’s Standards**

### ***6.4.1 Deregulation and Liberalization of the Indian Economy***

Facebook’s international expansion also depends on favorable local regulations set by the state. In the early 1990s the Indian government adopted economic reforms that opened the country up to foreign direct investments (FDI) and trade. Following decolonization in 1947, India adopted a mixed-economy model, closely resembling a Socialist state model. In 1991, facing bankruptcy, the nation switched to a market-driven economy. Continuing economic liberalization the Indian government disbanded the monopoly of Department of Telecommunications and heavily deregulated the telecommunications sector in 1992 (Bai, Ganesan & Srivasta, 2007). New I.T. policies adopted by the government, to aid India’s “integration with the global economy,” produced the internet boom of 1998-2003 (Wolcott & Goodman, 2003, p.560). This series of reforms has made India one of the largest and most competitive telecommunications markets in the world (Business Review India, 2012) and home to the world’s third largest Internet population (Vaidyanathan, 2012).

Almost two decades later, these reforms are critical to Facebook’s expansion into the country. The internet infrastructure laid by the government and the 900 million mobile connections, made possible by a competitive market, enable millions of Indians to access Facebook and provide a massive potential audience for the company. Furthermore, the presence of global businesses in the Indian market who use Facebook to directly connect with their consumers and in turn circulate Facebook’s user standards, is facilitated by the drastic changes the government made to the economy 22 years ago. As the preceding sections show, Facebook’s success in India is predicated on how well it leverages its large user network to enter partnerships with other established players in the Indian market in order to expand its business and maximize

its profits. A robust, deregulated and liberalized economy provides the ideal conditions for Facebook's expansion and the addition of nodes to its user and organizational network.

#### ***6.4.2 Counterpower and Resistance via the Indian State***

While Facebook has been successful in overcoming competition from both Indian and global social networking websites, there has been resistance from the Indian government. But this resistance does not come in the form of the Indian government protecting its market for indigenous companies, rather through the state's attempt to change the programming of Facebook's network. Since its arrival in India, the government has put pressure on Facebook to pre-screen its content and remove all objectionable material from its website. In January 2012, the Indian government granted the Department of Information and Technology sanction to prosecute Facebook for not complying with the demand that it remove all objectionable content that could incite enmity between different groups (Singh, 2012).

Facebook's earlier response to the government's request to pre-screen material posted on its website was that its desire was to keep the website as free and neutral as possible for its users and that the website already included features that allowed users to report objectionable content (Vikas, 2011). Responding to Facebook's statement Kapil Sibal, India's Human Resource Development Minister, expressed that it was his aim that "insulting material never gets uploaded. We will evolve guidelines and mechanisms to deal with the issue. [The companies] will have to give us the data, where these images are being uploaded and who is doing it" (BBC News, 2011). In a March 2012 summons order issued both to Facebook Inc. and Facebook India, Judge Sudesh Kumar cited the company's actions as the reason for continuing with the case, "instead of regulating the undesirable and offensive content ...[Facebook has] promoted the same for increasing the profits and promoting their business" (CIS, 2012). Facebook now faces limited

choices on how to proceed on this issue. Giving in to the government's demands would entail altering the programming of its network. At the same time if prosecuted for leaving objectionable material on its website, the responsible party can face 3-5 years in prison.

More recently in August 2012, citing the threat of impending communal violence, the Indian government blocked access to several Facebook pages temporarily. The government claimed that it was responding to the circulation of misinformation through websites and text messaging, which had fuelled rumors that Muslims were planning revenge attacks for the violence occurring in the northeastern state of Assam. The rumors had led tens of thousands of migrants of northeastern descent to leave metropolitan cities such as Mumbai and Bangalore (Tripathy & Bhattacharjya, 2012). The Facebook pages were among 300 total web pages blocked by the Indian government. The Bangalore-based Center for Internet and Society noted that of all the webpages being blocked 33% were Facebook pages and profiles (Prakash, 2012) making it the most censored website in India. These websites were blocked under the updated version of the Information Technology Act of 2000. In 2008, the Indian government had made amendments to the act to give the government the power to monitor and block websites and intercept online conversations (Agarwal & D'Monte, 2011).

In the past year, the mainstream news media in India, comprised mainly of newspapers, magazines and television channels, has started limiting their coverage of online posts on Facebook and other social media websites.<sup>9</sup> Numerous news channels have run panels that discuss the many dangers of social media<sup>10</sup> and newspapers have published editorials and stories

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<sup>9</sup> The move was somewhat reminiscent of France's on-air Facebook ban, only there was no official law or ban passed and consent was implicit. For an example of the change in social-media coverage policy of CNN-IBN, one of India's leading English-language television channels, see: CNN-IBN's New Social Media Guidelines: Limits Twitter, Facebook, LinkedIn Content In TV Shows (<http://www.medianama.com/2012/08/223-cnn-ibns-new-social-media-guidelines-limits-twitter-facebook-linkedin-content-in-tv-shows/>).

<sup>10</sup> For examples of mainstream television media see: CNN IBN's Face the Nation: Is social media above the law of the land (<http://www.youtube.com/watch?v=aXiv4jGzFzw>) and Face the Nation: Does social media offer more

on the downsides and dangers of social media<sup>11</sup>. The Indian government commissioned ads specifically warning people about the dangers of using Facebook, so that they could be run in print publications (Figure 5-7).

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value than mainstream media? (<http://www.youtube.com/watch?v=2sOJQD-6m-0>); NDTV's The North East Conundrum: Regulating Social Media the Answer? (<https://www.youtube.com/watch?v=YQRvhgUqep4>).

<sup>11</sup> For examples of mainstream print media see: The Times of India's – Hidden Dangers of Facebook ([http://articles.timesofindia.indiatimes.com/2012-07-29/social-media/32922835\\_1\\_angry-birds-friends-facebook-age-profile-picture](http://articles.timesofindia.indiatimes.com/2012-07-29/social-media/32922835_1_angry-birds-friends-facebook-age-profile-picture)) and Social-media Becomes a Double Edged Sword ([http://articles.timesofindia.indiatimes.com/2012-08-21/social-media/33302561\\_1\\_social-media-india-pages-twitter](http://articles.timesofindia.indiatimes.com/2012-08-21/social-media/33302561_1_social-media-india-pages-twitter)).

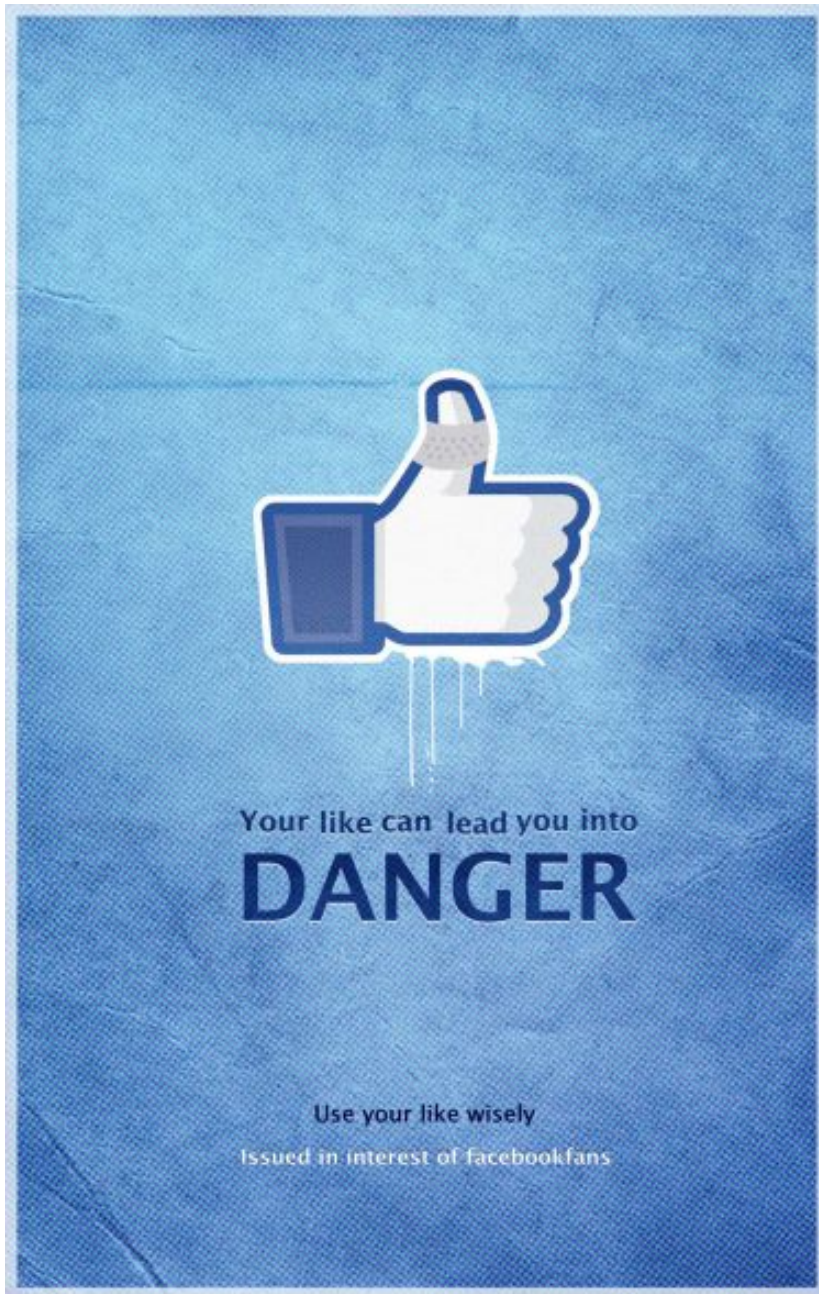


Figure 5 Government Issued Print Ad Warning Indians to use Facebook with Caution



Figure 6 Government Issued Print Ad Warning Indians to use Facebook with Caution

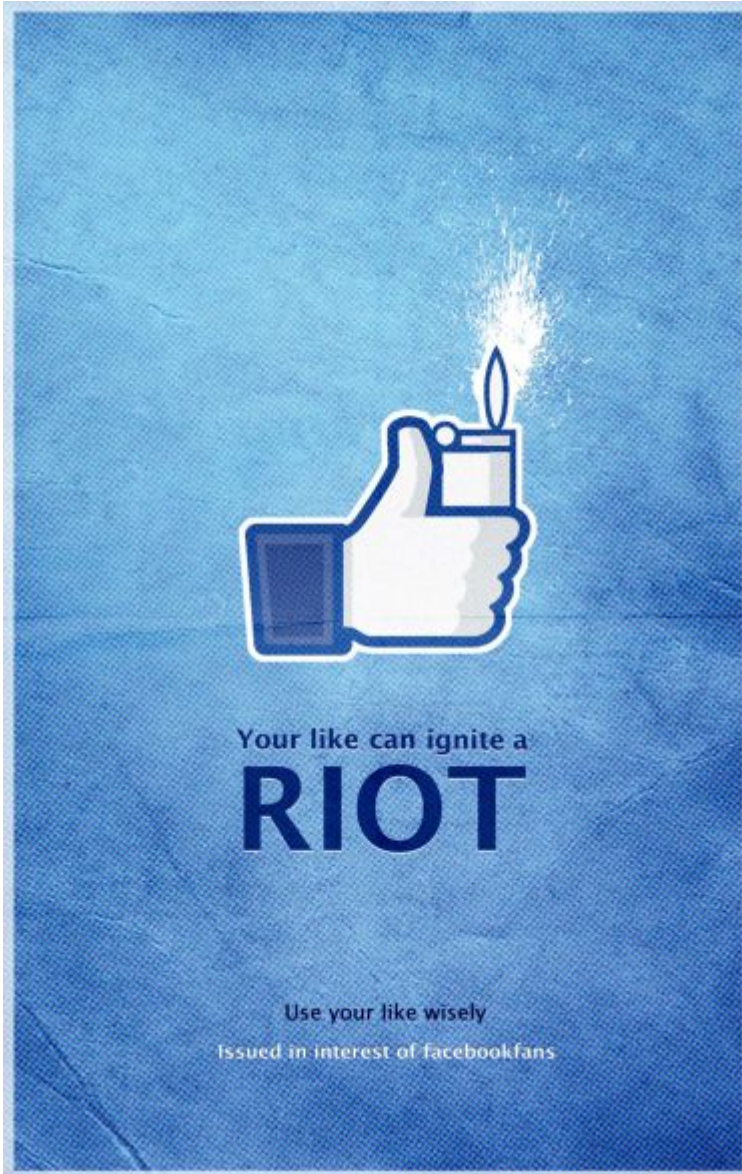


Figure 7 Government Issued Print Ad Warning Indians to use Facebook with Caution

In the network society “power and counterpower aim fundamentally at influencing the neural networks in the human minds by using mass communication networks and mass self-communication networks” (Castells, 2011, p.773). Although the government did not employ mass self-communication networks to exercise its counterpower against Facebook, it blocked these networks. The government could so because it controls the internet infrastructure, and therefore, the physical switch between Facebook and its Indian user network. Mass

communication networks, comprised of advertisements, print and television media aimed at influencing the minds of Facebook users by warning them of the dangers of the Facebook platform. The government, by itself, lacks the credibility and resources to influence minds, but with the support of the Indian legal community and the mainstream print and television media it acted to change perceptions about Facebook use in the country and to block Facebook's access to its user network in India and to exert power on Facebook to comply with the its demands.

As this section argues, the success of Facebook's expansion into any country depends on whether the government creates a favorable environment for Facebook to connect with other businesses and users. In India, economic initiatives have created the optimal conditions for Facebook to enter partnerships with telecommunications companies and local businesses who share Facebook's goal to expand its user network. The political environment, however, has led to regulations that restrict Facebook's growth in the country. A liberal economy and a permissive, democratic and free political environment are prerequisites for Facebook's successful expansion into any nation. The company does not act in isolation and needs to connect to local partners, who provide its revenue through advertising and also help circulate its user standards, to succeed in any country. While most BRICS countries provide dynamic economies with plenty of room for Facebook's expansion, a fragile political environment may lead to resistance from governments. In the case of China we see both an unfavorable economy, with its markets protected for local companies, and a highly restrictive political environment, which will block the expansion of Facebook into the country.

## CHAPTER 7: CONCLUSION

Having examined Facebook's expansion strategies in India using a meso-level network analysis this thesis illustrates that Facebook's success in India is dependent on how well it leverages its large user network to add nodes to its organizational and social networks and the effect it has on competition. The theoretical framework used is particularly well suited to examine the expansion of social networking platforms, because they benefit most from network effects. As more nodes join their network, they become more valuable and as they grow larger, the cost network exclusion keeps increasing. Facebook has successfully leveraged this power in its expansion into India as users and businesses, even competitors, willingly join its network.

However, two preconditions emerge for Facebook's successful expansion into a country. This thesis shows that Facebook relies on making important connections with local partners to grow on the user and organizational level. A liberalized, open economy provides Facebook with access to other companies who share the social networking platform's goal to program the market to a commercial format. They use the Facebook platform to maintain and increase their consumer base and simultaneously circulate Facebook's user network standard. As a result, Facebook's social network numbers and revenue continue to rise.

A second condition key to Facebook's growth in a country is a fairly permissive political environment. As is illustrated in the Indian case, many governments struggle to control the millions of mass-self communication network connections facilitated by Facebook's user network. Any government that sees Facebook as a threat to their nation's political stability, or as a disruption to their power, will block the platform's access to users. Facebook relies on its user network and on local application developers to create local-specific content. But this strategy fails to work when the company cannot access users in a country.

A drawback of this study is that the financial details of Facebook's partnerships with Indian mobile corporations, businesses, and marketing agencies are unavailable. Adding these details as more information becomes available will strengthen the analysis. Addressing the role culture plays in the acceptance of Facebook's standards by users was beyond the scope of this project. Future research should focus on the role the dominance of American culture plays in the adoption of Facebook's standards among users. This thesis illustrates the extent to which Facebook's successful expansion into developing countries is predicated on local companies' willingness to join Facebook's organizational network. However, further research should also look into whether Facebook privileges American culture, as well as the social and cultural implications of its expansion into foreign countries.

A meso-level view of Facebook's organizational network illustrates how Facebook depends on both partners and competitors to keep growing in India and vice-versa. For example, social gaming in India is a large and competitive market and has attracted a number of local and global players. These players promote their games on Facebook and help Facebook attract more users, keeping them on the website for longer and monetize their activities. What emerges here is not a picture of domination and exploitation, but that of co-operation between local and global corporations and companies.

As mentioned earlier in the paper, the organization of businesses, people, governments and corporations in networks does not mean that the Network Society is devoid of power. Power in the Network Society is exercised through these networks. This is illustrated well in the case of Facebook's expansion into India. Facebook holds power over the many companies and developers that adopt its standards and join its organizational networks. Equal partnerships are only made with the largest corporations in telecommunications industry, or those who have

access to large user and financial networks which can be leveraged in their partnership with Facebook. Either the biggest Indian conglomerates or the largest global investment firms back Facebook's fiercest competitors. While a majority of these firms are Western, the presence of Indian, Chinese and South African corporations illuminates a more complex picture than one that shows inequality in terms of a simple global North-South economic divide. Among these global players, Facebook benefits the most from its position in Menlo Park, the heart of Silicon Valley, as this provides it with crucial connections to financial networks.

The current top social-networking websites in India, Facebook, Twitter, LinkedIn and Orkut, are all Western-based companies. The global popularity of these social-networking websites has made them attractive to both audiences and advertisers, alike. Global, regional and local corporations, share these companies' goal, which is to expand their market share, and readily join their internal networks. Power, however, is not shared equally within these networks. Facebook can leverage its network power over these corporations in order to achieve its goals. While network power is the power of standards over the components of the network it "ultimately favors the interests of both a specific set of social actors at the source of network formation and also of the establishment of the standards (protocols of communication" (Castells, 2011, p. 775). Since Facebook determines the standards for inclusion in its social-network it is disproportionately advantaged over others nodes in its corporate network.

One source of immense power in the network society is the elimination of competing standards over time. Although, in the process of its expansion into developing countries, Facebook does not buy or take over other organizations, the perceived value of being a part of its network makes actors give up other standards. Facebook, then, is not exercising its power through domination, but because it spreads its standards through every possible avenue, the costs

associated with not being a part of its network keep increasing. While corporations flock toward adopting Facebook's standards, local and regional competition languishes because their standards are not perceived as valuable.

The state, however, also presents a challenge to Facebook's unbridled expansion. Although two decades of economic liberalization and the deregulation of the telecommunications industry by the Indian government have provided Facebook the optimal conditions to expand its business, the government also makes several attempts to block this expansion. It does so by exercising its counterpower to change the programming of Facebook's network. While China and Vietnam have blocked the expansion of both Facebook's user and internal network, the Indian government wants the website to change its policies on censorship and the production of user-generated content. Whether Facebook will leverage its power within its corporate network to respond to the Indian government or give into the government's demands is yet to be seen. What is guaranteed is that Facebook's unique features of being the world's most popular social networking website and its position as a switch between corporate and consumer networks will lead to its further growth and the elimination of competition over time.

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