

# MARKETS IN MOTION

developments that matter in financial markets

## Networks for Prosperity

"We live in an interdependent world where the forces of globalization bring us closer day by day."  
**Kandeh K Yumkella, Director General, UNIDO**

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### Introduction

Networks are a distinct form of governance with great potential for knowledge creation and development. Significant benefit could be gained from institutionalizing or embedding networks. So investing in networks is crucial. The creation of knowledge capital through networking is beneficial for organizations and the economy as a whole. Networks have proven to be crucial for several policy outcomes, including better decisions, performance and coordination, and knowledge production and exchange to facilitate economic and social development.

### Connectedness Index

Networks for Prosperity demonstrates that the 'connectedness' of a country has a strong positive relationship with various measures for its economic performance, justifying the growing interest of policy makers in knowledge networks. The Connectedness Index is the average of three sub-indices (international, inter-organizational and intra-organizational networks). According to a survey by the United Nations Industrial Development Organization (UNIDO) in November 2011, the Connectedness Index clearly shows a strong positive linear relationship between connectedness and different performance indicators.

### Ranking

There is a strong positive correlation between the Connectedness Index and government effectiveness, industrial development, and economic development. According to the survey, the Top-10 countries on the Connectedness Index are the following.

Country	Connectedness Index	World Rank
Switzerland	0.970	1
Sweden	0.911	2
Netherlands	0.885	3
USA	0.881	4
Finland	0.861	5
Singapore	0.834	6
Norway	0.810	7
Canada	0.809	8
Germany	0.770	9
UK	0.765	10

Source: [www.unido.org](http://www.unido.org)

### Knowledge Networks

International knowledge networks can have bilateral, regional, and multilateral characters. Well-known examples include the information and knowledge exchanges at various policy-related levels between the

European Union (EU) and the US (bilateral networking), the system practised by the United Nations (multilateral networking), and regional networking such as the EU, the African Union, Association of Southeast Asian Nations (ASEAN), Central American Integration System (SICA), Andean Community (CAN), Mercosur and Latin American Integration Association (ALADI), etc. AfriPANet is a network set up to enhance levels of foreign investment.

### Recommendations by UNIDO

- The international community should actively promote knowledge networking and network governance structures for achieving local, regional, and global development objectives.
- Member states should encourage and facilitate the international knowledge networking capacities of their public and private institutions.
- International organizations should improve their inter-institutional information and knowledge exchange systems and facilitate better knowledge networking among their members.

Knowledge networks can facilitate the exchange of policy-relevant knowledge among the members and produce new knowledge and solutions. In some cases, this is being scaled up and leads to policy coordination (or even harmonization) and mutual learning. With their informal, flexible and trust-building nature, knowledge networks can help in harmonization processes, particularly when rapid decision-making is required during crisis periods.

### Social Networking by US Banks

Social networking sites reach a significant percentage of online banking customers and prospects in the US. In March 2011, Facebook reached 76 percent of online banking customers and 85 percent of prospects. Compared to the average internet user, online banking customers and prospects were more likely to engage with main social networks. Prospects also spent more time and viewed more pages on social networks, in general, than customers. As online banking customers and prospects engage more frequently with social media, these networks will become increasingly critical channels for banking institutions to reach in future.

### Social Technologies on the Move

Many companies expect social technologies to modify many of their organizations' current processes. Many respondent companies in the UNIDO survey expect more profound organizational changes. They say that with fewer constraints on social technologies at their companies, boundaries among employees, vendors and customers will blur, more employee teams will be able to organize themselves, and data-driven decision making will rise in importance.

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