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The Changing Shape of Networks: Lessons for the Auto Industry

Tal Ben-Zvi

Stevens Institute of Technology

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The Changing Shape of Networks: Lessons for the Auto Industry*Tal Ben-Zvi*

Stevens Institute of Technology, Hoboken, NJ, USA.

Abstract:

The global financial crisis has brought tougher times to carmakers as the auto industry around the world experiences a sharp decrease in sales. Today, carmakers must tailor their strategies to succeed in the global markets. One important strategic consideration for these firms is their position in the market, relative to competition. We know that it is advantageous for a company to be positioned centrally in a market, but we still do not fully understand how some companies emerge as central. This study examines how early relationships in company networks may predict performance. Using a business simulation run, we show that establishing early centrality predicts later performance. The paper also defines a way of classifying centrality trajectories in social networks, providing a method that can be used more generally to predict markets change for the auto industry.