

Companies can capitalize on crises to thrive in their industry, study finds

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Professor Simone Ferriani, professor of entrepreneurship at Bayes Business School (formerly Cass), and academics from the University of Bologna examined airline industry networks, and found that disruptions could provide opportunities for companies on the periphery of networks to build connections much more successfully and gain influence within

their industry.

The paper, "[Network pathways of peripheral firm entry: Empirical evidence from the global airline industry](#)," is published in *Research Policy*.

Previous research has revealed that companies often exist within a [network](#) yet can remain on the periphery, while the most influential players consistently occupy the prime positions. This model repeats over time, creating significant challenges for new companies attempting to break in and secure a central role within the industry alliance network.

In the study, researchers examined 258 airlines to explore how these peripheral firms could gain influence within business networks. They also examined situations where previously central and influential firms lost their prominence after facing unexpected major changes or shocks such as [natural disasters](#), pandemics and terrorist attacks.

Academics conducted [statistical analysis](#) using stochastic actor-oriented models (SAOMs), which help predict where and when new connections in a network might start or end based on certain factors. They found that following disruptions or shocks to the industry, peripheral airlines were more successful in building and maintaining connections with companies which were more central in the industry network.

Professor Ferriani said, "We found that when industries undergo major changes, often due to unexpected events or shocks, newer or less central companies have a better chance to join and ascend business networks, despite facing obstacles. These shocks can shake up the usual business patterns, prompting companies to look beyond their usual partners.

"For companies on the outside looking in, this means being ready to seize new opportunities for partnerships that arise after such disruptive

events. While the strategies we examined are not new, they become significantly more effective following industry disruptions. This is because such events often open new doors for emerging players to step in and establish themselves."

One case of this, cited in the study, is the situation of Qatar Airways, which over a ten-year period, grew from 35 to almost 120 aircrafts and had an annual turnover of approximately \$25 billion.

Following the [terrorist attacks](#) of 9/11, the airline made several code-sharing agreements with small and large airline carriers. This enabled Qatar Airways to gain international status and a worldwide reach. Qatar Airways' alliances within the airline industry quadrupled compared to the years preceding 9/11, resulting in it becoming a prominent name in the airline industry.

Corresponding author Leonardo Corbo, Associate Professor of Management at the University of Bologna, added, "External shocks serve as pivotal turning points for entire industries, not just airlines, which are the focus of our study.

"Partnerships offer a powerful tool for ambitious, peripheral players to ascend. The recent pandemic is a prime example, highlighting how smaller, relatively marginal biotech companies have risen by forming strategic alliances with pharmaceutical giants."

More information: Leonardo Corbo et al, Network pathways of peripheral firm entry: Empirical evidence from the global airline industry, *Research Policy* (2024). [DOI: 10.1016/j.respol.2024.104960](https://doi.org/10.1016/j.respol.2024.104960)

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