

Team Formation in a Network

Markus Kinaterder

Abstract

Two project leaders (or entrepreneurs) in a network, which captures social relations, recruit players in a strategic, competitive and time-limited process. Each team has an optimal size depending on the project's quality. This is a random variable with a commonly known distribution. Only the corresponding project leader observes its realization. Any decision is only observed by the involved agents. A pure strategy Sequential Equilibrium is selected under certain conditions. An agent's expected payoff is related to his position in the network, though no measure in the literature captures this relation. Hence, a way to identify the most central player(s) is proposed. Due to the network's geography, inefficient unemployment may arise in equilibrium.

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