

Dissertation

**Business Group Affiliation, Strategy and Performance**

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**ABSTRACT**

Diversified business groups—set of legally independent firms operating in diverse industries and bound together by common ownership and a host of formal and informal ties—are a dominant organizational form across the world. Early research on business groups focused on their presence in emerging economies—business groups were seen as responses to ‘*institutional voids*’ and substitutes for underdeveloped external market institutions. However, the continued presence and growth of business groups in emerging economies despite sustained institutional reforms and the growing acknowledgment of their presence even in developed economies have led recent research to recognize the organizational advantages of business groups that are independent of institutional context. Accordingly, recent research has called for shift of focus from an instrumental perspective of business groups (i.e., *what do they exist for?*) to an operational one (i.e., *how do they really work?*).

An important step in this direction is to understand how affiliation to a business group shapes firm’s strategy—a critical missing link in the relationship between business group affiliation and firm performance, the central question in business group research. In my dissertation, I move forward in this direction to examine competitive strategy of business group affiliate firms vis-à-vis standalone firms and its mediating role in the affiliation-performance relationship. I do so by linking business group and competitive dynamics literatures. In particular, a rich stream of work within competitive dynamics research that focus on competitive repertoire—the portfolio of competitive actions initiated by a firm during a time period—characterizing firm strategy. I ask the questions:

- *Does competitive repertoire of business group affiliate firms differ from that of standalone firms?*
- *How does competitive repertoire affect the relationship between business group affiliation and firm performance?*

In specific, I focus on three significant and widely studied aspects of competitive repertoire, viz., *intensity, complexity and significance*. I theorize that greater access to slack and diverse resources, information and knowledge through the network of other firms in the business group enable affiliate firms to carry out a higher *competitive repertoire intensity (number of competitive actions)*, and *competitive repertoire complexity (variety and inter-temporal change in competitive action types)* than standalone firms. I also theorize that access to significant amount of resources through the business group network and the accumulated knowledge and capability of group center in conceiving and implementing strategic actions enable affiliate firms to exhibit higher *competitive repertoire significance (number of strategic competitive actions)* than that of standalone firms. Thus, I hypothesize that affiliation to a business group will have a positive effect on firm's competitive repertoire – (i) intensity, (ii) complexity and (iii) significance. Empirical analyses on a sample of Indian firms over the period 2009 – 2017 support the three hypotheses. Further, drawing from research that report a beneficial effect of the three aspects of competitive repertoire on firm performance, I hypothesize that competitive repertoire - (i) intensity, (ii) complexity and (iii) significance - will positively mediate the relationship between business group affiliation and firm performance. An analysis of these mediators together in a combined model shows support only for a positive mediating effect of competitive repertoire intensity.

This work contributes to both business group and competitive dynamics literatures. First, I open “the black-box of business groups” a little more by examining how business group affiliation influences competitive strategy of firms. While prior works have recognized superior resource endowments of firms affiliated to business group, I show that what a firm does with such resources is at least as important as which resources it possesses. I also advance our knowledge of the business group affiliation-performance relationship by explicitly theorizing and empirically testing the mediating role of strategy as competitive actions. Second, I seek to extend the knowledge on competitive dynamics by exploring a new organizational context, viz. business groups. Thus, I address calls to examine the influence of organizational forms on competitive dynamics and also, by examining business group affiliation as an antecedent, I extend efforts in competitive dynamics research that has focused on resource asymmetry-, network-, and ownership- based antecedents of firm competitive repertoire.

**Key Words:** Business groups, competitive dynamics, competitive repertoire, emerging economies, firm performance.