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Performance of Business Groups in Emerging Markets: A Review of Literature

Dr. D. S. Prasad*

*Professor, ICFAI Business School
Hyderabad(A.P),India.

Abstract

The past decade has witnessed a dramatic rise in research relating to the performance of business groups (BGs) which are defined as firms which, though legally independent, are bound together by numerous formal and informal ties and are accustomed to taking coordinated action. BGs exist in many countries with types such as Japanaese Keiretsus and Zaibastu,South Korean Chaebols, Hong Kong's Hongs, India's Business Houses,Russia's Oligarchs and China's Qiye Jituan. Diversified business groups characterize the industrial landscape of many emerging economies. The different studies conducted in this area show quite contradicting results with respect to the performance of business group affiliated firms and unaffiliated firms(standalone) as evidenced by variables like the Return on Assets(ROA), Tobin's q, Return on Capital Employed(ROCE) and other profitability measures. Some studies show that business group affiliated firms perform better than the standalone firms and several other studies in Indian and other emerging market contexts show that unaffiliated firms perform better than the group affiliated firms. The results are mixed, at best.

The performance of business groups is influenced by several factors such as the institutional variables, diversification variables, ownership structures – foreign and domestic, etc. The studies also indicate that the performance and affiliation does not always follow a linear relationship either increasing or decreasing but follows a quadratic relationship based on the context in which the firm is embedded. Future research should address issues like (i) does business group membership augment or diminish firm performance and are there any differences in the strategies followed by affiliated and non-affiliated (standalone) firms? (ii) Do the affiliated firms fare comparatively better in situations or economies characterized by institutional voids? And finally (iii) whether the group performance is enhanced by scale and scope differences and to what extent this is translated into higher market valuations vis-à-vis standalone firms?

Keywords:

Business groups, diversification, ROA, Tunneling.

Introduction

Business Groups (BGs) account for a significant portion of the private sector in many emerging economies (Khanna and Palepu, 2000; Khanna and Riwkin, 2001). Business groups in general are the collection of publicly traded firms embedded in a wide variety of industries with a considerable amount of foreign ownership and control. From the perspective of economics, business groups substitute for the imperfect market institutions in the emerging economies (Yiu, Lu, and Bruton, 2005). Business groups are critical in emerging economies and the ubiquity of business groups suggests that they may affect the economic performance of group-affiliated members in these economies, either by generating benefits for or imposing costs upon members and a key research inquiry in the business group literature is the relationship between group affiliation and firm performance (Ma, Yao, and Xi, 2006). There are quite contradictory results in different contexts regarding this question.

The present work is an attempt to survey the literature on the different issues related to business groups in emerging economies such as China, Korea, Chile, Turkey, etc with a special focus on India. There are various types of theories which explain why business groups are formed and should continue to exist. Some of the few well known theories in this regard are the Resource-based view, Transactional cost perspective, Agency theory view, Institutional perspective, etc. A brief perspective on these views is presented here from the literature. Then the literature on performance of affiliated firms of a business group is compared with that of the unaffiliated firms in the different emerging economies with a special focus on India. Also the performance effects with respect to different theories are discussed.

Defining Business Groups:

Studies on business groups are widespread in corporate governance literature across the globe. But a business group as a separate and distinct theme has emerged only recently. But still there exists lack of clarity as to what business groups are and how they are classified. Literature suggests that there are different perspectives of looking at it. Khanna and Yafeh (2007) in a study of business groups in emerging markets consider business groups to be consisting of independent firms operating across both related and unrelated industries which are bounded together by persistent formal and informal relationships together with varying degrees of outsider participation. Earlier studies on business groups emphasized on two dimensions viz. the ties that hold group firms together and the coordinated action enabled by these ties (Khanna and Riwkin, 2001). Referring to the works of Leff (1978) and Strachan (1976), Khanna and Riwkin (2001) mention that these ties are numerous and overlapping on one hand and they span over economic, social, formal and informal grounds on the other. Whereas the ties results in coordinated action among the group members providing an unified front against external constituencies through sharing of brand name, joint capital raising, lobbying with bureaucrats and politicians, manager recruitments as a group and often pooling and sharing of resources and information for investments. Thus Khanna and Riwkin (2001) defines business group as “A business group is a set of firms which, though legally independent, are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated action.” Yiu, Lu, Bruton and Hoskisson (2007) have further elaborated on the above mentioned two distinct distinguishing factors for identifying business groups in their review to propose an integrated model for understanding business groups. Existence of business groups is discerned in both developed and developing countries but they take different forms in different parts of the world as a result of which general understanding is not possible. These differences are most common in the relationship linkages of the affiliated firms and also the ties arising from family ownership and financial linkages (Lensink, Molen and Gangopadhyay, 2003). Importance of family ownership in defining business groups is also highlighted in the works of Bottasso and Sembenelli (2004) where the authors comment on the ownership structure effecting efficiency of firms in Italy. Granovetter (1994) tried to draw the line of demarcation for business groups considering them as an intermediate form of integration which excludes firms bound by short term strategic alliances and also firms which are legally consolidated into a single body. Gonenc, Kan and Karadagli (2007) add a new dimension in defining business groups developing on the works of Morck (2004) i.e., business groups not only include firms that connect each other through inter-corporate shareholdings but also the ownership structure is pyramidal in a sense that an individual or family may control a listed firm which in turn holds controlling stake of few more firms which again has controlling stake holding of few other firms and so on. And this pyramidal structure gives rise to distinct ownership relations, cash flows and voting rights. Thus the definition of business groups being so diverse and varied, a question arises on whether the studies on business groups so far analyze the same organizational form of business firms both across and within countries which in turn calls for a clear definition all across (Cuervo-Cazurra, 2006). So to fill this existing gap Cuervo-Cazurra (2006) defines business group as a set of legally separate firms with stable relationships operating across multiple strategically unrelated businesses and having common ownership and control (Cuervo-Cazurra, 2006). Although legal separation and ties have been recognized as an identifying feature for business groups earlier, Cuervo-Cazurra (2006) comments that inclusion of strategic unrelatedness and common ownership and control provides better understanding of business groups.

Business Group Typologies:

A novel taxonomy for business groups has been proposed by Khanna and Yafeh (2007) in which business groups are classified along three dimensions: group structure (level of horizontal and vertical integration and involvement in financial sector), group ownership and control (pyramidal structure and family control) and group interaction with society (nature of interaction with government and potential for monopoly power), so as to test a set of hypotheses. Cuervo-Cazurra (2006) proposes a network based view of looking at business groups wherein business groups are considered as a type of firm network which is different from the traditional way of looking at multiple stable relationships that a firm has with suppliers, distributors or other strategic or geographic networks. Business groups fall essentially into diversified networks through unrelated businesses with stable relationships and under common ownership and control. Further Cuervo-Cazurra (2006) classifies these diversified networks into widely held, state owned and family owned. Yiu, Lu, Bruton and Hoskisson (2007) identified two difficulties which led to the absence of a clear framework for understanding business groups. First is that business groups takes different forms in different countries like keiretsu in Japan, business houses in India, family holdings in Turkey, chaebols in South Korea to name a few. The second difficulty is the diversity of paradigms in literature that analyses business groups' performance and operations. So these two difficulties in turn lead to defining the business groups by researchers accordingly to suit their objectives of study. To counter these problems Yiu, Lu, Bruton and Hoskisson (2007) developed a

2X2 dimensional model that classifies business groups into four different subtypes. On the basis of these two dimensions four types of business groups are formulated viz. N-form (network), C-form (club), H-form (holding) and M-form (multidivisional) Yiu, Lu, Bruton and Hoskisson (2007). While in an N-type business group a single firm takes a lead role by concentrating on a particular industry and at the same time a number on individual firms serving as partners through supplies of technology, intermediate products or other functions in a C-form business group which is a bit more complex in structure there is no common leader as such and the affiliated firms are rather linked through a common brand or a formal president club. A H-form business group is characterized by structural arrangements similar to conglomerates and in the M-type of business group, the parent or the core firm acts as the corporate head quarters for all other individual affiliate firms where the parent company has partial or complete ownership.

Business Group Paradigms:

A number of recent studies have focused on business groups and firm performance (Khanna and Riwkin, 2001; Yiu, Bruton and Lu, 2005; Khanna and Palepu, 2000; Choi and Cowing, 1999; George, 2007; Gunduz and Tatoglu, 2003; Ma, Yao and Xi, 2006). And the researchers have analyzed their results from divergent theoretical perspectives. This part of the article will try to briefly summarize the different theories that exist in the literature.

Agency Theory Perspective:

Business groups as mentioned earlier are characterized by overlapping investments of core owner-managers among the affiliate firms. Even though these core owners are majority shareholders but still there exists other minority shareholders in the board within each affiliate firm. There are also managers who are not core owner-managers (Chung. 2006). Agency theory explains the conflict that arises between the principal (shareholders) and the agent (managers) when their desires don't match and implicitly when it becomes expensive for the principle to actually verify what the agent is up to (Eisenhardt, 1989) and the possible mechanisms to resolve the same. As a result corporate managers are able to pursue their own interests at the expense of the shareholders. But the theory assumes that shareholders have certain incentives in monitoring the managerial behaviours and these incentives in terms of resources spend in monitoring, often differs from shareholder to shareholder (Douma, George and Kabir, 2006). In case of emerging economies there arises another significant problem that extends the agency theory in terms of principal-principal goal incongruence (Dharwadkar, George, and Brandes, 2000) which stems from the fact that in emerging economies due to lack of external governance mechanisms major stakeholders assume control of the firm resulting in expropriation of the minority share holders wealth. Yiu, Lu, Bruton and Hoskisson (2007) comment that business groups from an agency theory perspective is viewed as a collection of relationships between the controlling and the minority shareholders. This is attributed to the uniqueness of business group ownership structure which is vertical in a way that small fraction of ownership in different legally independent companies leads to the control of a large amount of resources via a pyramidal framework. This kind of ownership structure, through director ownership or owning shares with disproportionate voting rights, in turn results in tunnelling of resources within the group leading to expropriation issues. What makes the entire theory more complicated is the existence of cross-shareholdings and interlocking directorates among the individual group firms giving rise to cohesive horizontal networks through commercial and resource exchanges to protect them from external threats (Yiu, Lu, Bruton and Hoskisson, 2007). According to Chung (2006), when the degree of overlapping investments in groups firms is high in terms of cross-holdings among the group affiliates, the number of common shareholders is high and that of minority shareholders is low which in turn may result in lower incongruence of interest among owners and managers because of majority type of ownership structure influencing the strategic direction of the affiliate firm. On the other hand low level of overlapping shareholdings leads to management type ownership structure with lack of monitoring by large shareholders providing managers a greater incentive to diversify into unrelated businesses.

Transaction Cost Theory Perspective:

The theories of transaction costs dates back to 1937 Ronald Coase's transaction cost theory of industrial organization economics which deals with the very basic question of why firms exist. The theory suggests that firms will tend to expand to an extent where the costs organizing an extra transaction within the firm becomes equal to the costs of carrying out the same transaction in the open market (Coase, 1952). Teece (1981) interprets transaction cost theory viewing external market mechanisms and organization hierarchies as two distinct and alternative governing and coordinating systems that dictate the exchange of goods and services. Hence managers need to carefully choose the best alternative which leads to reduction of transaction costs. Transaction costs encompass all basic costs of drafting, negotiating, enforcing contracts and even costs of dispute settlement. Collis and Montgomery (2005) believe that under ideal market economic conditions firms always rely on the market for several reasons like proper information processing, efficient pricing and resource allocation, market flexibility etc. But in emerging markets overall transaction costs are high owing to the existence of institutional voids giving rise to inefficient factor markets for labour, technology and capital, inefficient information in product markets, inadequate policies in government intervention and finally lack of effective legal infrastructure to enforce contracts (Khanna and Palepu, 1997). Thus to reduce transaction costs individual firms resort to business group formation which acts as a substitute to the missing market institutions (Khanna and Palepu, 2000).

Resource Based Theory Perspective:

The resource based view postulates that rent seeking firms gets diversified in response to excessive capacity in factors of productivity which include those factors the firm has purchased in the market, services that the firm has created utilizing those factors and also the knowledge accumulated by the firm over time and so long the expansion provides new productive outcomes of more profitably using the underused resources, a firm will always have a incentive to expand (Montgomery, 1994). Barney (1991) argues that competitive advantage of a firm is generated through the possession of both tangible and intangible assets those are difficult and costly for other firms to acquire. And the sustenance of this competitive edge depends on the degree to which these resources are rare, valuable and unsubstitutable. In his study pertaining to business group's formation and performance in emerging economies, Guillen (2000) found that business groups are the result of entrepreneurs and firms accumulation of the capability of repeated industry entry. This capability has the potential to be maintained as valuable, rare and an inimitable skill. And such a resource is fostered by asymmetric foreign trade opportunities and prevalence of investment conditions. In emerging economies there is considerable resource heterogeneity among various shareholder categories which emerge from the differences of the shareholders being foreign, domestic, financial or strategic. This diversity in turn impacts firm performance because it provides heterogeneity in resources and capabilities of an organization (Douma, George and Kabir, 2006). In emerging economies government provides a helping hand to business groups in the acquiring and deployment of resources and capabilities in terms of industry specific skills starting from conducting feasibility studies, obtaining licences, acquiring technology and managerial know-how, establishing plants, hiring and training employees and arranging financial packages (Oliver, 1997). This automatically helps business groups to enter variety of industries repeatedly. Thus business group affiliated firms will always have an advantage over non-business group affiliates in terms of valuable resource accumulation.

Institutional Theory Perspective:

Institutional theory addresses the gap that exists between the above three theories in a way that it incorporates the social, economic and political contexts in which the firm operates and how these affect the organization structure and firm behaviour. Thus institutional theory emphasises on the socio-cultural norms, beliefs, regulatory and judicial systems and how it regulates the formal and informal activities of the firm (Douma, George and Kabir, 2006). Emerging economies are characterized by market imperfections and institutional voids as a result of which business groups are well suited to bridge this lacuna and provide the necessary welfare enhancing activities (Khanna and Palepu, 2000). Diversified business groups are thus responsible for value creation by compensating for the market inefficiencies of a nation as a whole (Chung, 2005). With the assistance of government in building successful entrepreneurs and development of internal market intermediaries, business groups are always in a better position to mobilize capital and labour resources and subsequently start new ventures benefitting the country. Even when government support is taken off business group firms have accumulated substantial resources to outperform independent firms (Chung, 2005). In emerging economies business groups are viewed as a means to foster state control and advance industrial development (Khanna and Fisman, 2004).

Relational Theory Perspective:

Following the works of Granovetter (1994), Yiu, Lu, Bruton and Hoskisson (2007) comment that business groups in relational theory perspective are viewed as having evolved naturally from the society's traditions and norms and the economic exchanges that take place in the market is governed by the social institutions influencing the patterns of trust and cooperation between organizations in a society. Implicitly business groups are considered as form of inter-organizational network engaged in generating relational rents for the affiliated firms and whether that leads to value creation will depend on the affiliated firms' efficiency in sharing, combining and exchange of specific resources. Hence the unit of analysis becomes the relations among the firms. On similar lines Mursitama (2006) in assessing the effect of business groups on affiliated firm performance in an emerging economy (Indonesia) applies this relational view considering business groups as an inter-organizational form of network together being a set of unified business. Unlike resource based view, in relational perspective the capacity of generating rents lies in the relations within the networks of the firms through which sharing and combining of resources take place, effective governance mechanisms are formulated to lower transaction costs and also synergistic combination of knowledge and capabilities is possible.

Multi-Theory Perspective:

Yiu, Lu, Bruton and Hoskisson (2007) considers transaction theory and external market conditions, relational perspective and social relationships, political economic perspective and last of all agency theory and external monitoring and control systems as external contextual factors that impact business group functioning. The authors comment that the integration of these perspectives is that the different theoretical assumptions and linkages under each perspective together help in reconciling, complementing and in comprehensive understanding of how a business group behaves and how it adjusts to market changes through internal mechanisms off horizontal and vertical connectedness. Douma, George and Kabir, (2006) also provide a similar kind of multi-theory perspective of analysing business groups in which they argue that such an integrated approach provides a holistic framework minimizing the limitations of considering each theory separately.

Performance of Business Groups in Emerging Markets

In this section the literature on the performance of business groups is compared with that of the standalone firms with respect to different emerging economies such as China, Korea, Turkey, Chile and other economies in different contexts.

The study by Choi and Cowing (1999) tries to find out the relationship between group affiliation and firm behaviour in the context of Korean economy by taking data from 1985-1993. The OLS regression results indicate that chaebols have lower profit rates than that of independent firms although this difference has been decreasing. For the 1990s the profitability of the two types of forms is same. Also, the larger chaebols have higher growth rates and stable annual profits without any increase or decrease.

The study by Khanna and Palepu (2000) addresses the issue of how groups can play multiple roles, a question which has not been answered by the prior research. Their study tried to derive and examine empirically the performance effects of business groups in the context of Chilean economy.

Year wise regression analysis has been conducted to test the proposed hypothesis. The results were not linear over the years; instead a curvilinear relationship existed between the firm performance and the extent of unrelated diversification of the firms in the group. From the results it is evident that in the early years most of the affiliated firms of vastly diversified business groups performed far better than the focused unaffiliated firms. These patterns may be due to the existence of fixed costs that the groups may have to incur to provide the firms some intermediation in different aspects. There is also some evidence provided from the study that firms in the unrelated diversification also benefit from the group affiliation mainly because of stronger social links and ethnic networks.

According to Khanna and Riwkin (2001), the presence of business groups everywhere implies that they may influence the different forms of economic performance in the emerging markets. But there is no empirical proof existing in the literature thus far explaining the ramifications of group affiliation for a firm's financial performance. The authors try to answer the most basic questions such as whether the affiliated firms of a group earn higher or lower profits than the unaffiliated firms, empirically.

The authors formulated two hypotheses for testing; to find out whether firms affiliated with groups are more profitable than the unaffiliated firms with other things remaining the same and to find whether the profitability levels of all the firms in a particular group will be similar than with respect to the firms outside the group. The research is conducted by taking data from 14 emerging economies: Argentina, Brazil, Chile, India, Indonesia, Israel, Mexico, Peru, the Philippines, South Africa, South Korea, Taiwan, Thailand, and Turkey.

The sample size varies from 99 in Peru and 86 in Israel to 10,531observations for India. The test for the first hypothesis suggests that the affiliated firms of a group achieve higher profitability than the unaffiliated firms in three countries such as India, Taiwan and Indonesia. However, somewhat less significant evidence is obtained in this regard in the case of South Africa, Israel, and Peru. Group affiliated firms perform worse than the standalone firms in the case of Argentina and somewhat less significant evidence in this regard is obtained in the case of Philippines and Chile. The results for Korea, Brazil, Mexico, Thailand, and Turkey give evidence of a balance between the cost structure and benefits associated with the group affiliation in those economies. With regard to the second hypothesis, the distinction with respect to Argentina is only significant, but the results of Argentina, Peru, Turkey and Mexico go against the second hypothesis which states that the differences existing within the group are larger than the beyond group distinctions.

The study by Gunduz and Tatoglu (2003) attempted to compare the difference in performance of group affiliated firms with that of the stand alone firms and to make an analysis of the different features of group affiliated firms and independent firms using the various financial ratios in the context of Turkish economy. The data set consists of 202 Turkish companies which do not include financial companies for the year 1999. The overall sample includes 84 firms affiliated to a group and 118 which are not affiliated with any group.

The results are very interesting and quite contradictory to the earlier studies since there is no significant difference in performance between affiliated and non-affiliated Turkish firms with respect to both accounting measures and stock market performance measures. The findings also suggest that there is no significant difference between family owned firms and non-family owned firms. Also, with respect to return on assets, the foreign owned firms perform better than the domestic firms in Turkey.

Performance of Business Groups in India:

This section is devoted for a discussion on business groups in India and their performance with respect to the unaffiliated firms. The essence of most popular papers in this regard in the Indian context is presented here.

According to Khanna and Palepu (2000), due to the absence of intermediary institutions it is costly for the firms in emerging markets to acquire necessary inputs such as finance, technology, and management talent. So, a firm may be most profitable if it is a part of a large diversified business group that can act as an intermediary between the imperfect markets and the firms. The analysis is done to test whether a firm affiliated with the diversified business group in the Indian context is profitable or not. The analysis tries to compare the performances of affiliated and independent firms. The degree of access to international investors and joint venture partners, monitoring by inside owners, and financing with the help of internal capital markets have been identified as three sources of performance effects and they are in turn examined individually.

The data collected and analyzed was for the year 1993 where there were 1309 firms in the final sample of which 655 firms were affiliated with the diversified business groups and 654 were focused firms which were not affiliated with any business group. The performance measures used as dependent variables were Tobin's Q and Return on Assets (ROA).

The multivariate regression results reveal that for a large majority of diversified firms, Tobin's q is low compared with that of the standalone firms. However, the firms affiliated to the most highly diversified groups have a higher Tobin's q value than the unaffiliated firms. The univariate comparison results suggest a quadratic relationship between firm performance and group diversification of affiliated firms. The multivariate regression results reveal that, the performance of group affiliates declines till a threshold level of diversification is reached and increases thereafter.

Chacar and Vissa (2005) by employing the firms in the United States and India try to find out the performance persistence of firms in the United States versus India and the performance persistence of firms affiliated to a business group in an emerging market context. The data was collected for the period from 1989 to 1999. The results from the study give a first understanding of the effect of differences in institutions on the performance persistence of the firms. The data establishes that the firms in emerging economies have persistence for poor performance than for superior performance. This is quite contrary to the misconception that performance of superior firms persists for a longer time. It has been found that there are certain forces which affect the firm performance and bring the performance of superior firms to an average value.

Gaur and Delios (2006) investigated the impact of the group affiliation with respect to the performance of the firm in the Indian context using longitudinal research design. The data for the analysis relates to the period 1993-2004.The study tries to give insights into the relationship of business group performance with the institutional transition process.

The dependent variables considered for the study are Return on Capital Employed (ROCE), Sales Growth, and Profit after tax (PAT). The explanatory variables used are group affiliation dummy which takes a value 1 if the firm is affiliated to a business group or 0 otherwise. Two indicator variables one for the level of diversification and other for the founding period of the group is considered to identify the similarities existing within the groups. The groups are classified into three categories; one being before 1947, next between 1948 and 1990, and the third being 1991 to present. The control variables used are Age, Total Assets, Advertising expenditure, level of exports, level of sales (only in the models where sales growth was not included as the dependent variable). The econometric method used for the study is GLS random-effects estimation to test the implications of group affiliation for performance.

The results indicate that the affiliation to a business had negative impact on sales growth during late phase of institutional transition. The ROCE measure also gave similar results and it turned more negative during the process of institutional development. With respect to PAT measure, the effect of group affiliation had even more negative impact during the process of institutional transition. The results as a whole show that the unaffiliated firms perform better than the group affiliated firms in terms of all the performance measures.

Douma, George and Kabir (2006) made an attempt to find out the differential effect of corporate ownership of foreign firms and foreign institutional investors on the performance of firms in the emerging markets an issue not addressed by prior literature by adopting multi-theoretic approach. The central outcome of the results is that the foreign ownership should be separated into two different ownership patterns; one as foreign institutional investors and the other as the foreign corporate shareholding. Each one of them should be treated separately because the process and purpose involved in the investment by these two categories is largely different. The findings suggest that there is no clear-cut evidence of the impact of foreign ownership on the firm performance in the emerging market context.

Bertrand, Mehta and Mullainathan (2002) argue that the phenomenon of tunneling or transfer of profits by the dominant shareholders of a firm is more prevalent in the presence of business groups and that too in the emerging economies. The authors have proposed several ways to predict the implications of tunneling for the propagation of shocks. The five predictions are then tested in the context of India. The data for the study is collected for the period between 1989 and 1999.

The results suggest that manipulation of non-operating profits is a primary means of removing cash from and placing cash into group firms in India. Firms that have less money tunneled away from them are also valued more and groups that tunnel less money are valued more.

Ghosh (2010) using data on a sample of Indian firms from 1996-2006, investigated the effect of group affiliation on firm performance. After controlling for the differences in firm size, growth opportunities and leverage, the study's findings indicate that group affiliation exerts a salutary impact on firm performance, measured by adjusted Q or ROA.The findings also suggest that tunneling is not an important factor in driving the valuation and profitability effect of group affiliation.

Conclusion:

Prior literature on business groups in emerging economies show that business groups have quite a few advantages due to the imperfections existing in those economies. The different studies show quite contradicting results with respect to the performance of business group affiliated firms and unaffiliated firms with respect to the performance of variables ROA, Tobin's q, ROCE and other profitability measures. Some studies show that business groups firms perform better than the standalone firms and several other studies in Indian and other emerging market contexts show that unaffiliated firms perform better than the group affiliated firms. The performance of business groups is influenced by several factors such as the institutional variables, diversification variables, ownership structures – foreign and domestic, etc. Another important conclusion from the studies is that the performance and affiliation does not always follow a linear relationship either increasing or decreasing but follow a quadratic relation based on the context in which the firm is embedded. Future research should address issues like (i) does business group membership augments or diminish firm performance and are there any differences in the strategies followed by affiliated and non-affiliated (standalone) firms? (ii) Do the affiliated firms perform comparatively better in situations or economies characterized by institutional voids? And finally (iii) whether the group performance is enhanced by scale and scope differences .The future research in this regard should focus more on emerging economies so as to make it more useful and relevant to these economies and especially those characterized by declining economic growth.

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