

Abstract

Investigating the variation in performance of firms is of prominent interest to researchers in the field of strategy. Researchers have followed two basic ontological positions while analyzing firms, their activities, and the performance implications thereof. From one ontological standpoint, researchers have chosen to view business firms as profit maximizing independent economic units in an atomistic environment. Such a view has immensely contributed to management literature by enabling basic analysis of firms' actions and their strategic implications. However, this view has also been criticized by researchers and practitioners for its inability to reflect the socio-economic reality of *embeddedness* (c.f. Dyer and Singh, 1998; Granovetter, 1985; Gulati, Nohria and Zaheer, 2000). Hence the second major ontological standpoint, constituted by those researchers who argue in favor of conceptualizing business firms as socio-economic entities. From this standpoint, firms are seen as quasi-(in)dependent economic entities embedded in a network of relationships which provide a socio-economic context to firms' actions and the consequences thereof (Baum and Dutton, 1996; Dacin, Ventresca and Beal, 1999; Granovetter, 1985). Thus firms' actions (including the economic actions) and the result of such actions are affected by the structural context and the relational content of the embeddedness. Those who take this standpoint argue, therefore, that to study the variation in performance of firms, it is essential to understand the context, the structure, and the relational content of the embedded reality. This dissertation is a step towards that direction.

The dissertation contains three essays. In all the essays, we investigate how the embedded reality and the context – which includes a firm's value net, stakeholders and other socio-economic factors - do affect its profit potential. The first essay asks the question, "Who appropriates value in a value net?" and deals with the issue of measuring profit potential of firms in economic networks. In this essay, we investigate how economic embeddedness affects a firm's potential to appropriate value. We focus on how the structural reality and the relational content of the embeddedness - especially dependency among firms in a value net - affect firms' profit potential. Subsequently, we develop a dependency-based index called 'nodal power' to reflect firms' profit potential in the context of their embedded structure and relational content.

The next essay focuses on how change in structural characteristics and/or relational content affects firms' economic performance. The essay asks whether strong relationships contribute to value appropriation and subsequently measures the effect of relational strength and structural change with nodal power. The dynamics of embeddedness are studied using the dependency-based index, and we show how relational strength and other network factors affect a firm's potential to appropriate value in economic networks. Finally, we investigate the inter-relationship between network structure, conduct, and performance in embedded structures and we show how conduct of constituents influence profit potential of firms.

The third essay asks why some firms gain from Corporate Social Responsible (CSR) actions while others do not. It presents a case survey on CSR actions, internalization, and competitive advantage. In this essay, we investigate how strategic social responsible actions provide competitive advantage to firms. In other words, we investigate how a firm's social embeddedness and the nature of interaction with the embedded reality affect its economic performance.

From a methodological point of view, each essay follows a design of enquiry broadly corresponding to one of three major epistemological paths. The first two essays are quasi-empirical in nature. In these two essays, we pursue a formal method of analysis and substantiate the results with large-scale simulations. The last essay is empirical in nature. Here we use a mixed methodology based on case survey research which provides us with the benefits of generalization capability of nomothetic research (i.e. quantitative design) as well as the interpretive advantage of ideographic research (i.e. qualitative design such as case studies). We believe the three essays together will contribute to the strategy literature by facilitating our understanding of how socio-economic embeddedness affects firm performance.

On the Structure and Stylistics of the Dissertation

The dissertation is structured in a three-essay format. We have taken care to present each essay as independent to the others. However, in the second essay, we have taken the liberty to refer to the first essay for the sake of brevity. Since each essay is presented as a stand-alone paper, each is preceded by its own abstract and key words. Similarly, endnotes are presented at the end of each essay. However, to avoid repetition, references used in all three essays are presented together at the end of the

dissertation. Similarly, all appendixes are presented at the end of the third essay. Throughout the dissertation, we have preferred to use first person plural (i.e. we) rather than first person singular (i.e. I).