**Appendix 2**

Characteristics of firms with interconnected supply chain and social network (e.g. business group firms)

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| --- | --- |
| **Characteristics** | **Description** |
| **Prevalence** | * Business groups are considered as a dominant economic structure, especially in developing nations ([Khanna and Palepu, 2000](#_ENREF_52)). * Over 40% of India manufacturing firms belong to a business group ([Ramachandran et al., 2013](#_ENREF_75)) while it is around 30% in China ([He et al., 2013](#_ENREF_42)). |
| **Definition** | * Business groups are multi-firm organizations - defined as the combination of a parent firm and legally independent subsidiaries ([Yiu et al., 2007](#_ENREF_106)). * They work as a single economic entity through various formal and informal social ties ([Popli et al., 2017](#_ENREF_72)). |
| **Types of ties (links) exist within business group** | * Economic links - horizontal ties, cross-holdings, and interlocking directorates ([Khanna and Palepu, 2000](#_ENREF_52)). * Informal social arrangements are based on family, kinship, and friendship ([Popli et al., 2017](#_ENREF_72)). |
| **Major difference from other organizational structure** | * Existence of multiple relationship ties among group affiliated firms ([Zattoni et al., 2009](#_ENREF_108)). * Presence of an administrative center aimed at coordinating affiliated firms ([Zattoni et al., 2009](#_ENREF_108)). |
| **Significance of business group – especially in the context of emerging economies** | * Provide an organizational structure (support network) that is better able to deal with poor availability of basic inputs and other amenities ([Fisman and Khanna, 2004](#_ENREF_26)). * Serve as a substitute for missing external institutions especially - by creating an efficient business environment for affiliated firms ([Zattoni et al., 2009](#_ENREF_108)). * It resolves the problems arise from an imperfect institutional environment by providing internal capital, labor, and product markets ([Popli et al., 2017](#_ENREF_72)). |
| **Other critical benefits** | * Business group also facilitates syntheses and sharing of knowledge, access to information, reputation enhancements, or additional revenue enhancement opportunities to their affiliates ([GAUR, 2007](#_ENREF_32)). |