Chapter 1

The Embeddedness View and Network Analysis

In organizational strategic decision making, decision-making processes are often not as transparent as we may like them to be; external influences interfere prior to formal meetings in which decisions are made (Baehr & Gordenker, 2005). These external influences are related to the embeddedness of organizational actors in networks and this affects the actors’ decisions in the focal forum. This chapter introduces the embeddedness view that is useful for theorizing about this process. Also, it introduces some network concepts that are used later to develop more specific constructs related to embeddedness. Specifically, this study investigates whether and how external international networks influence decisions in the UNGA, the focal forum; these are the effects of embeddedness. The international networks that build the embeddedness include those of trade, military alliances, diplomatic visits, and intergovernmental organizations. The concepts and dynamics are of interest because they generally inform us about power and influence in strategic management and international relations contexts. However, this chapter will tend to discuss the embeddedness view and networks from a management point of view because this has been the more recent context of scholarship. Later chapters will clarify the correspondence of these concepts with international relations theory.

In several types of forums such as meetings of boards of directors, union negotiations, government parliaments, and international organizations—this phenomenon affects decision outcomes and, ultimately, the organizations’ policies and actions (Davis, 1991; Davis & Greve, 1997; Kuziemko & Werker, 2006). For example, directors of firms are often members of exclusive social clubs where they may have discussions and dealings. They may,
in fact, be members of many clubs and through these social networks may gain information they believe is valuable enough to affect their decisions, consciously or subconsciously (McPherson et al., 2001). Thus, the effects of embeddedness are highly consequential to all of our organizations because these organizations have decision makers who also engage in external networks. A series of examples of decision-making cases reported in the press are discussed in later chapters. These examples provide illustrations in the context of unions, boards of directors, governments in diplomatic relations, and international organizations.

Often, the hidden dealings among actors are referred to as “backroom-bargaining,” and part of this can be vote buying, which affects the outcome of decisions (Kuziemko & Werker, 2006). Backroom bargaining is taken for granted, but it has been extremely difficult to find evidence of it via academic studies because these dealings are not recorded and not observable. This study uses network methodology to uncover the embeddedness effects on actors who make important strategic decisions. Although many do not consider embeddedness a theory, it is a well-recognized perspective that I will review here. In fact, this study builds on this perspective and provides empirical support to make a strong enough contribution to defend the contention that it is a theory. At the very least, I would suggest that embeddedness will become a theory as more contributions are made to it. Its strength is in its being closer to reality than any other existing management theory.

In the following sections, I will begin by describing embeddedness; next, I will add some vigorous debate currently extant in the field. Following this, I will explain how embeddedness and networks create context that affects decision making, and finally I will propose types and mechanisms of embeddedness not previously elucidated. Some of the mechanisms that include concepts of power, dependence, and interdependence tie in with international relations theory discussed in later chapters.

The Embeddedness Perspective

The embeddedness view originates in management literature and, more specifically, comes from economic sociology; thus, it is discussed in this chapter in the context of the firm, even though this research is in the international context. The transition to the international realm will occur later, after this initial explanation of the basic theory. Embeddedness will also be demonstrated to apply to a more general institutional context that is not necessarily economic, thereby widening its applicability. I will later explain why “institutional embeddedness” strengthens embeddedness as a theory.

Embeddedness is the concept that social relations shape economic behavior and as a result social structure affects economic action (Sacks & Uzzi,