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insights from network analysis

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Global interlock ties of financial firms: insights from network analysis

Diliara Valeeva

ABSTRACT

Financial firms are pivotal nodes in corporate networks due to their central role in controlling financial capital. While the position of financial firms in board interlock networks is well-studied within nation-states, it is an open question if their central position transcends across borders. This visualisation utilises social network analysis to map the board interlock connections among 112 global financial firms featured in the Forbes Global ranking. The results delineate a core group of globally interconnected firms, reveal the diversity in network formation strategies, and assess the extent of cross-sector connections. This visualisation enriches the literature on global financial networks and interlocking global city networks by illustrating the interconnections among financial firms across spatial boundaries.


KEYWORDS

financial firms; corporate networks; corporate interlocks; social network analysis; global financial networks; cross-sector connections

HISTORY Received 10 July 2023; Accepted 2 November 2023

In an increasingly interconnected global economy, financial firms stand as pivotal nodes in corporate networks due to their central role in controlling financial capital (Dixon, 2011; Mizruchi & Stearns, 1988). The establishment of connections with financial companies often occurs through board interlock ties, where two firms share corporate directors (Mizruchi, 1996). These ties play a multifaceted role, enabling firms to access resources, serve signalling functions and reduce environmental uncertainty (Carpenter & Westphal, 2001; Connelly et al., 2011; Hillman et al., 2009; O'Hagan & Green, 2004). While the position of financial companies in interlock networks is well-studied within nation-states, it is an open question if their central position transcends across borders. To address this question, this visualisation draws on two main strands of research: global financial networks and models of interlocking global city networks.

Scholars of global financial networks have extensively explored the structure and properties of these networks (Battiston et al., 2010; Wójcik, 2018), assessed the vulnerability of the global financial networks (Acemoglu et al., 2015) and addressed regulatory frameworks across borders in response to crisis situations (Cetorelli & Goldberg, 2012; Claessens et al., 2010). The visualisation contributes to this literature by mapping the extent of interconnectedness of global financial firms through their interlock ties.

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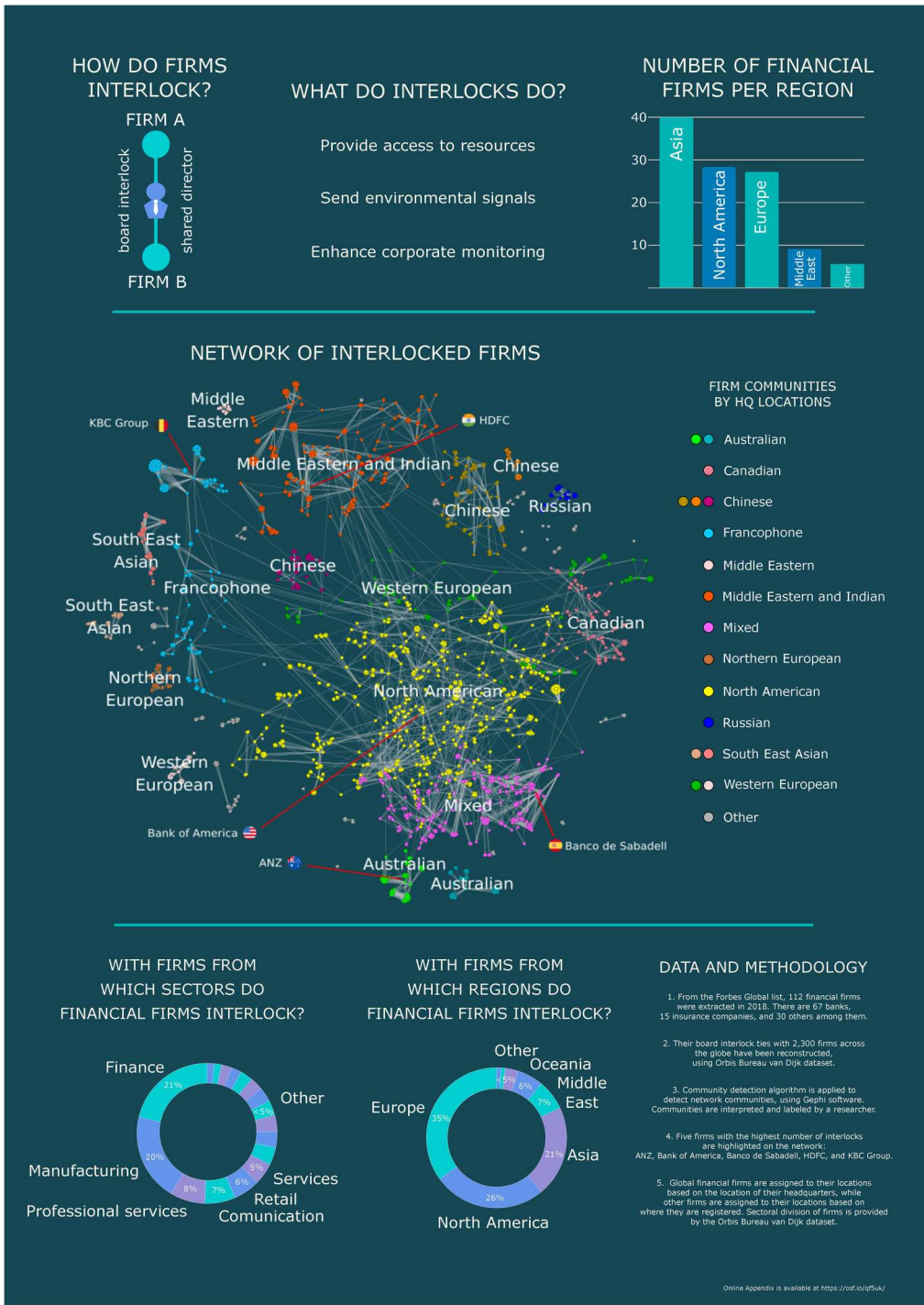


Figure 1. Infographic illustrating the global board interlock ties of financial firms. It outlines the functions of interlock ties, presents network communities among interconnected firms and highlights the characteristics of companies forming these interlock connections.

Previous research has also emphasised the overtime changes and hierarchies within global city networks (Derudder et al., 2003; Neal, 2008; Taylor, 2004) and analysed how these networks are related to economic growth and innovation (Sassen, 1994; Wójcik, 2013). By identifying network communities that do not always align with traditional geographic regions, this study contributes to the ongoing discussion on the increasing interconnectedness of businesses across spatial boundaries (Figure 1).

This visualisation offers several directions for further research.

- The findings reveal a well-defined core of North American and Western European firms. Future research could delve deeper into the dynamics of the core and periphery, exploring factors influencing their composition.
- Network community boundaries do not always align with geographical regions: e.g., Middle Eastern and Indian firms are part of the same community. Researchers can further investigate the implications of these non-traditional network communities for global business strategies.
- Firms from some regions are dispersed across multiple network communities: e.g., Chinese or South East Asian firms are part of different communities. Future studies can explore the motivations and consequences of such diversification in rapidly developing economies.
- Prominent interlocking is observed among financial firms across diverse geographical regions: e.g., Indian HDFC, Australian ANZ or Belgian KBC Group. Researchers can investigate the role of these central firms in the shifting landscape of global finance.
- Financial firms engage in interlocking with companies spanning a wide range of sectors, including manufacturing, communications and retail. Future research can delve into the impact of these cross-sector ties on financial stability and economic resilience.

DISCLOSURE STATEMENT

No potential conflict of interest was reported by the author(s).

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