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# The global corporate elite after the financial crisis: evidence from the transnational network of interlocking directorates

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**Abstract** *What impact did the recent financial crisis have on the corporate elite's international network? Has corporate governance taken on an essentially national structure or have transnational networks remained robust? We investigate this issue by comparing the networks of interlocking directorates among the 176 largest corporations in the world economy in 1976, 1996, 2006 and 2013. We find that corporate elites have not retrenched into their national business communities: the transnational network increased in relative importance and remained largely intact during the crisis lasting from 2006 to 2013. However, this network does not depend – as it used to do – on a small number of big linkers but on a growing number of single linkers. The network has become less hierarchical. As a group, the corporate elite has become more transnational in character. We see this as indicative of a recomposition of the corporate elite from a national to a transnational orientation.*

**Keywords** CORPORATE ELITE, TRANSNATIONAL CAPITALIST CLASS, SOCIAL NETWORKS, INTERLOCKING DIRECTORATES, CORPORATE GOVERNANCE, BOARD OF DIRECTORS, GLOBAL GOVERNANCE, FINANCIAL CRISIS

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## The crisis and the global corporate elite

The 2008 financial crisis posed the biggest challenge to the global economy since the Great Depression of the 1930s. The initial drop in stock market prices and the volume of world trade as a percentage of its pre-crisis level was much greater in 2008 than in

1929. The global decline in asset values in 2008 was an estimated \$27 trillion, or 50 per cent of global economic output (Eichengreen and O'Rourke 2010). Yet, unlike in the Great Depression, the global economic governance structures remained intact. Global financial markets did not collapse; free trade was not in jeopardy, even though in 2009 trade restrictions increased temporarily. The Great Recession did not turn into a Great Depression. Already in 2009, trade volume stabilized to pick up in 2010. By 2012, world trade had fully recovered, whereas in 1932 world trade had declined to 70 per cent of its 1929 level.

Why did the governance system survive in 2008 but fail to do so in 1929? According to Drezner, the main reason is the consensus among the global business and political elite that the financial world system should be kept intact at all costs and that a national way out of the crisis was not an option (Drezner 2014). Unlike the 1930s, Drezner argues, in 2008 there were no counter elites, such as the national socialists or Keynesians, who were prepared to put their national interests before the global one. The heirs of the extreme right in prewar Europe reappeared at the close of the twentieth century, but in a neoliberal, pro-American guise. The labour parties chose a 'third way', which led them, albeit reluctantly, to embrace neoliberal policies. It is only recently that most so-called neo-nationalist parties, especially in Europe, have supported the idea of defending the role of the national state as an economic and even monetary unit. A second reason, according to Drezner, is that the USA was still a hegemonic power in 2008. The US government assumed leadership of the global economy and, in 2010, even managed to persuade the Chinese government to give up trying to maintain a low exchange rate between the renminbi and the dollar. Consequently, the Chinese currency appreciated during the Great Recession by 15 per cent (Rabinovitch 2012). In short, the consensus among the global actors in the financial markets that they must prevent a collapse of the world financial system at all costs and a strong will among these elites not to repeat the 'beggar thy neighbour' policies of the 1930s stopped the 'Great Recession' turning into a 'Great Depression'.

Drezner's thesis on the existence of a consensus within the global business elite is both provocative and attractive. If indeed a group of financial, industrial and political leaders are able – through their shared understanding and interest – to avoid the collapse of the economic system, then global governance is indeed very resilient. At the same time, it also shows us that the current institutions and underlying rationales of neo-liberal capitalism can survive even in the most difficult times. The problem is that it is difficult to measure, or at least with any accuracy, the extent to which political and business elites share a common understanding. Ideally, this would require insights into the motivations, interest, attitudes and decision making of a large number of individual power holders. A more practical albeit indirect way of probing the cohesion of the global business elite is to take a network perspective and investigate the cohesion and topology of the social networks connecting business leaders and the decision-making spaces they occupy.

Ideologies require networks if they are to spread and thrive. Social structures such as the network of interlocking directorates – but also policy-planning

networks, conferences, forums and so on – help to build consensus and conformity and give direction for change (Carroll and Sapinski 2010; Domhoff 1970; Heemskerk 2007; Richardson et al. 2011). These social networks provide opportunities to reproduce existing beliefs and ideas, as well as to disseminate new ones. In an earlier period of global economic downturn during the 1970s, global business elites responded by increasing the cohesiveness of their social networks and board interlock ties (Fennema 1982). This lends some credit to Drezner's argument and, at the same time, suggests a research strategy that allows us to test his elite cohesiveness thesis.

There is a considerable body of literature to show that, ever since the emergence of large corporations, networks of interlocking directorates have provided the cornerstones of national business communities throughout the world (Kogut 2012; Scott 1997; Stokman et al. 1985). The individual directors of multiple firms meet in a number of different venues to exchange ideas and discuss economic and political issues. As Useem (1984) pointed out in the cases of the USA and UK, these directors, who form part of an 'inner circle' of the capitalist class, show a high degree of social cohesion and wield considerable political influence. Apart from participating in such elite organizations as policy-planning groups, interlocking corporate directorships serve as channels of communication between directors, thus fostering a common worldview within the inner circle and giving it access to a broad resource base from which to exert its hegemony in and beyond the business circles. This interlocked network, layered on personal networks that reach back to common educational and social backgrounds, promotes elite consensus and cohesion and provides a basis for concerted political agency (Carroll and Sapinski 2011: 181–2).

Following this line of reasoning, a good indication of the level of integration of the global corporate elite is the extent of its embeddedness in networks of transnational interlocking directorates. If transnational business interests are well coordinated, we expect the transnational business community to remain stable during times of economic downturn. A decline in the transnational business community, however, may indicate that the elite is fragmenting and failing to uphold its cohesion. This is more in line with the thinking of those who are sceptical about the possibilities of a transnationally cohesive capitalist class. In a critique of Robinson (2001), Block asks 'why would anybody assume that [under a global depression] class unity would prevail over fractioning along national lines? It is easy to imagine national fractions rushing to secure the conditions of their particular rule and ignoring previous commitments to a new form of global rule' (Block 2001: 218). Block, however, seems to forget that the main reason for class unity is self-interest. For international firms the importance of unity and peace in Europe and other parts of the Western world seems overwhelming. Therefore, if Drezner's thesis were to be true, we would expect a resilience of the global network of interlocking directorates after 2008, rather than a fragmentation into national networks.

To explore the validity of this thesis, we proceed as follows. First, we first discuss earlier findings on the transnational network of interlocking directorates and place

them in the context of institutional environments. Second, we introduce and discuss the data and methods and then, third, present the empirical findings. Our findings show that the transnational network of interlocking directorates remains resilient, especially compared with the ongoing thinning of national networks of board interlocks. We interpret this as a recomposition of the corporate elite at the global level. We conclude by calling for a historically specific approach to crisis, rather than a general theory of crisis and its impact on the organization of the corporate elite.

### **International networks of banks and industry**

To situate this research, it is helpful to review some earlier findings on the global network of interlocking directorates. In 1905, Jeidels published the first study on personal relations between banks and industrial boards in which he found 1350 interlocks between the boards of six Berlin banks and German industry. He wrote that ‘the bank to a certain extent embodies here the inner connection between large numbers of enterprises, which result from the development of large scale industry. It represents the community of interests existing between them’ (Jeidels 1905: 215). In Germany those interlocks were considered a sign of ‘consciously guided production’, which was regarded quite positively as a form of organized capitalism. While they did not actually prohibit the concentration of economic power, they nonetheless monitored it closely. They did not necessarily condemn economic (market) power *per se*, but felt that it was important to prevent its abuses. In effect, they recognized a need to identify abuses of power without challenging the exercise of its non-abusive forms (de Gaay Fortman 1966). They considered fierce competition, by contrast, a danger to the social and economic order.

In the USA, however, interlocking directorates were seen as collusion and as hampering proper competition. The Pujo Committee (1913) hearings on the concentration of corporate power led to the Clayton Antitrust Act of 1914, which prohibited particular interlocks between corporate boards (for a detailed account see Pak 2013). The practice of interlocking directorates was, in the colourful language of Senator, later Supreme Court Judge, Louis Brandeis, ‘the root of many evils’ and it ‘offends laws human and divine’. According to Brandeis, board interlocks often limit competition directly, but are always a ‘violation of the fundamental law that no man can serve two masters’ (Brandeis 1933).<sup>1</sup> The collusive nature of board interlocks has remained an important objection to the practice, although a recent study actually shows that interlocks rarely facilitate collusive activities (Buch-Hansen 2014). Nevertheless, the practice in the USA ‘reflected a shared belief in the value of competition, in Germany the strong support given to cartels and other inter-firm agreements by the nation’s courts reflected a shared belief in the benefits of industrial cooperation’ (Chandler 1990: 395). From both perspectives, however, board interlocks are important instruments for the business community because they create cohesion and allow coordination.

The first study on *transnational* board interlocks came with the growth of transnational corporations in the 1970s. Fennema compared the international

networks of 176 large corporations in 1970 with those of 1976, namely before and after the 1973/4 recession, which provided the impetus for the rise of neoliberalism. During these oil crisis years, international firms stepped up their international (as well as national) linkages, primarily within the North Atlantic zone and especially in Western Europe. Between 1970 and 1976, the ratio of transnational interlocks increased from 25 to 32.5 per cent. As Fennema (1982: 201) concluded, ‘the need for international consultation clearly has grown, and, as a result, the international corporate system has become more integrated.’

Carroll and Fennema (2002) applied the same selection criteria to track continuity and change in the networks of 176 corporations between 1976 and 1996. Surprisingly, they found only a modest increase in international interlocking during the era of globalization, alongside the persistence of national networks. This suggested strong path dependencies that reproduce the patterns of national corporate-elite organization. Overall, the international corporate network became leaner (slightly sparser and carried by outside directors), but its connectivity increased. Moreover, within Europe, transnational corporate interlocks became even more frequent.

We can describe the period between 1996 and 2006 as the time of the ‘decline of the corporate community’ (Heemskerk 2007). A shift from stakeholder-oriented to shareholder-oriented capitalism led to smaller boards whose directors were supposed to concentrate on only a few firms. This widely accepted ‘busyness thesis’ meant that interlocking directorates were increasingly regarded as undesirable (Ferris et al. 2003). Corporate governance reforms – as mandated not only within countries but also by the OECD – are an important driver behind the decline of interlocking directorates (Carroll 2010; Kogut 2012). Another factor at work in the same period was the shift from relationship-based to transaction-based financing. The pattern of large corporations interlocking with large financial institutions weakened in the 1990s, as debt became securitized and simply traded, rather than encased in a relationship of ‘patient money’, with banks sharing directors with their industrial clients (Davis and Mizuchi 1999; Heemskerk and Schnyder 2008).

Carroll’s ten-year study of the world’s 500 leading corporations (G500) and their interlocking directorates, concluded in early 2007 not long before the 2008 financial crisis, showed evidence of some decline in national corporate communities and, with the formation of a cohesive stratum of capitalists directing firms based in multiple countries, a continuing shift towards transnational corporate affiliations (Carroll 2010). As of 2007, the transnational elite segment, comprising 29 per cent of all interlocking G500 directors, was internally integrated, but not as a group unto itself. It appeared more as a *bridge*, with growing internal cohesion, across persistent national networks. Moreover, most corporate networkers (the actual individuals whose multiple affiliations link directorates together) remained national in their directorships, and most networkers with directorships in multiple countries participated primarily in one national network (Carroll 2010: 111–15). The transnational corporate network has a very specifically regionalized formation, and the vast majority of firms that engage in transnational interlocking have their headquarters in Europe and North America. Against the trend of overall decline in corporate networks, the European section of the

transnational network increased during the early years of the twenty-first century (Heemskerk 2011, 2013), although the extent to which there is a transnational network beyond the national business communities remains a debated issue (Burriss and Staples 2012; Carroll et al. 2010; Vion et al. 2015).

### **Research approach and data**

To assess the impact of the crisis on the cohesion of the transnational network of interlocking directorates, it is imperative to adopt a longitudinal perspective. We need to be able to separate the longer-term trends that are at play from the dynamics that are particular to the period of the financial and economic crisis. The above-mentioned studies chart only the most recent trends in the transnational corporate community, so are unsuitable for a systematic longitudinal comparative analysis of network dynamics. The problem is that until the mid-1990s such data were not easily available. We rely on Carroll and Fennema's (2002) network data from 1976 and 1996 as a unique reference set, and draw comparable purposive samples of corporations in 2006 and 2013. This enables us to chart changes in the architecture of the transnational corporate elite's network across nearly four decades.

A stratified sample of the 135 largest industrial corporations and 41 largest banks, located in eight countries or geographical regions, comprised the original set of 176 firms. Banks were specifically included because of their central role in national business networks. The stratified sample was necessary to overcome the dominance of North American firms in the list of largest firms (Fennema 1982: 78–9). Table 1 presents the numbers of selected firms per region. We selected the industrial corporations with the highest revenue per region and banks with the most assets per region; we did not include subsidiary firms. The 1996 dataset used identical selection criteria. We created two additional datasets following similar selection criteria and similar procedures. The first is 2006, ten years after 1996 and just before the financial crisis emerged. The second is 2013, five years following the advent of the financial crisis in 2008. This allows us to investigate the impact of the financial crisis on the global network of interlocking directorates from the perspective of the ongoing dynamics from the mid-1970s onward. The many mergers and acquisitions in the intervening years rendered a panel comparison over the entire period of little use. However, we consider the panel of 135 firms that were present in both 2006 and 2013 in detail.

For the 2006 material, we built on the dataset that Carroll assembled on the global 500 firms (for details on the data collection, see Carroll 2010: 240 note 2); we initially sourced the 2013 information from Bureau van Dijk's ORBIS database. After selecting the firms with the highest revenues and most assets per region, we excluded any foreign subsidiaries. To repair incomplete, missing or erroneous data entries, we manually crosschecked all the information on board composition against the annual reports.<sup>2</sup> The dataset is available on request and through the first author's website. We use the methodological toolbox of social network analysis to investigate the properties and dynamics of the transnational network of interlocking directorates.

**Table 1: Stratified sample of firms over regions (all years)**

	<b>Industrial corporations</b>	<b>Financial corporations</b>
European Community, 1976 members	39	13
United States of America	26	8
Japan	26	8
United Kingdom	22	4
Rest of Europe	10	3
Canada	7	4
Semi-periphery	4	1
Australia / New Zealand	1	0
<b>Total</b>	<b>135</b>	<b>41</b>

**Table 2: Firms, directors and interlockers in the global network**

	<b>1976</b>	<b>1996</b>	<b>2006</b>	<b>2013</b>	<b>Δ% 76–96</b>	<b>Δ% 96–06</b>	<b>Δ% 06–13</b>
Companies	176	176	176	176			
Directors	317*	3600	2465	2546	-	-31.53	3.29
Positions	733*	3958	2710	2763	-	-31.53	1.96
Average # directors per firm	-	20.45	14.01	14.47	-	-31.53	3.29
# Interlockers	317	270	193	179	-14.83	-28.52	-7.25
% Directors with > 1 affiliation	-	7.50	7.83	7.03	-	4.39	-10.20

\* The 1976 dataset unfortunately only contains information about directors with more than one position

### **Empirical findings**

#### *The long decline of the corporate network*

Table 2 shows how board compositions changed between the mid-1970s and 2013. The strong decline in board seats and directors between 1996 and 2006 is particularly apparent. This decline, however, does not continue further into the twenty-first century. We even note a small increase in board positions between 2006 and 2013. Interestingly, although some firms increased their board size, presumably to deal with the difficult times, the extra board seats during the crisis years do not lead to more interlocking directors. The number of interlocks shows a steady trend of decline. Looking at the interlocking directors themselves, we see that the number of board members who sat on at least one other top 176 board dropped during the crisis years

from 193 to 179. This downward trend in board interlocks and interlockers is, however, not particular to the financial crisis; it is part of a secular decline that started between 1976 and 1996, but accelerated between 1996 and 2006. Against this backdrop, we conclude that the decline simply continued without accelerating. In that sense, we do not see the financial crisis having a special effect on the network of interlocking directorates.

**Table 3: Interlocking directorates in the global network**

	1976	1996	2006	2013	Δ% 76–96	Δ% 96–06	Δ% 06–13
Companies with interlocks	144	145	140	131	0.69	-3.45	-6.43
% of all firms	81.82	82.39	79.55	74.43			
Edges	368	355	285	233	-3.53	-19.72	-18.25
interlocks	559	472	322	256	-15.56	-31.78	-20.50
within countries	459	377	216	177	-17.86	-42.71	-18.06
between countries	100	95	106	79	-5.00	11.58	-25.47
% between countries	17.89	20.13	32.92	30.86	12.51	63.56	-6.26
Interlocks per (connected) firm	7.76	6.51	4.60	3.91	-16.15	-29.34	-15.03

*Network characteristics of the corporate elite*

Given the relatively large changes in the number of board seats during the period under study, it is rather remarkable that the number of firms engaging in board interlocks remained so stable. In 1976, 144 of the 176 firms shared board members with each other. In 1996, this was 145, and 140 by 2006. Over the last few years, it further dropped to 131 connected firms. The network, however, thinned out over time. In 1976, the firms shared no fewer than 559 board interlocks with each other, but by 2013, this had dropped to 256 – a spectacular 54 per cent decrease in interlocking. How can the network remain well connected in terms of number of firms when at the same time the number of ties decreases so spectacularly? A closer look shows that the connectedness across boards remains stable because it is the number of multiple interlocks (where firms share more than one director) that decreases most sharply. In the periods 1976–96 and 1996–2006, in particular, the number of interlocks drops much more sharply than the number of unique board ties (edges) between the boards. At the same time, after 1996 the number of unique board ties also drops by almost 20 per cent. As a result, firms are less embedded in corporate board interlocks. In 1976, the top 176 firms had an average of 7.76 connections to other boards; by 2013, this had almost halved to 3.91 (with, again, the largest drop in the 1996–2006 period).

The thinning of the network is also evident in its cohesion. Most of the firms are part of one large connected component. Throughout the period, more than 90 per cent

of all the board ties connect firms within the dominant component. However, the ongoing decline in ties means that the network becomes less cohesive over time. Therefore, the distance between corporate boards in the network increases. In 1996, any two boards were on average connected by 3.72 steps or ‘handshakes’; by 2013 this figure had gone up to 4.2. The increase in average distance casts light on how firms relate to all other firms in the network, but the most relevant network ties are of course those in a firm’s immediate vicinity. The cluster coefficient measures the extent to which neighbours also connect to each other. It is an indicator of local cohesion, in which a value of one means that all one’s neighbours connect to each other. Again, the averages show a downward trend from 0.38 in 1976, to 0.32 and 0.33 in 1996 and 2006 and finally to 0.25 in 2013 (calculated on the unweighted graph). It is obvious that the thinning of the network is continuing into the twenty-first century.

*Transnational interlocks as the stable core*

Against this backdrop of diminishing interlock activity, the transnational interlocks stand out as remarkably stable. The stark decrease in interlocking (a 61 per cent reduction in national interlocking between 1976 and 2013) has the effect of not only emptying the network out, but also of torqueing what remains of it more towards transnational interlocking. Thus, the share of transnational board interlocks jumped from 18 per cent in 1976 to 33 per cent in 2006. The stability in transnational board interlocks that Carroll and Fennema (2002) observed thus continued well into the twenty-first century. By 2013, more than 30 per cent of all board interlocks were transnational. Moreover, while there was a drop in absolute number of transnational interlocks during the crisis years, its cohesion has actually increased. The average distance in the subset of transnational board interlocks decreased steadily from 2.06 in 1996 to 1.85 in 2006 and 1.65 in 2013. While national board interlocks continue to decline, the transnational network remains remarkably stable and increases in its relative importance.

**Table 4: Interlocking directorates in the 135-panel**

	2006	2013	Δ% 2006–13
Companies with interlocks	100	100	0
% of all firms	74.07	74.07	0
Edges	198	177	-10.61
Interlocks	228	194	-14.91
within countries	157	127	-19.11
between countries	71	67	-5.63
% between countries	31.14	37.85	21.56
Interlocks per firm	3.38	2.87	-14.91

*Corporate elite cohesion in the crisis years*

The period between 2006 and 2013 warrants a closer look because it covers the years of the financial crisis. This period saw the collapse of firms, the nationalization of banks and financial institutions in crisis, which means that the composition of the top 176 may be quite different from the firms we selected for 2006. To correct for a possible selection bias, we constructed a panel of 135 firms that were present in both 2006 and 2013. There are indeed some notable differences. First, the board size of the 135-firm panel did not increase but remained comparable. Second, and of more interest to us, the decline in board interlocks was less pronounced than in the entire sample. Board interlocks decreased by 15 per cent, compared with over 20 per cent for the entire sample (see Table 4). Third, the 135 firms mainly shed their *national* board interlocks. Overall, they lost less than 6 per cent of their transnational interlocks. Given the thinning of the network, the relative share of the transnational interlocks actually increases to almost 38 per cent.

In sum, we found a structural trend towards fewer interlocking directorates and evidence that this trend was already present long before the crisis began. In other words, the thinning of the corporate elite network during the crisis fitted an ongoing trend. In the period between 2006 and 2013, however, the ongoing thinning occurred mainly in national business communities. The decline in national interlocking was especially sharp between 1996 and 2006, when there was widespread adoption of new corporate governance norms, but the most recent period (2006–13) shows a continuing atrophy of national interlocking. The transnational part of the network shows a different dynamic. Looking back, it is striking that already by 1976 the international corporate elite established a social network of interlocking directorates that remains in place today. The transnational links in the board network proved to be the most stable core. The transnational network increased in relative importance and remained largely intact during the 2006–13 crisis (especially for the 135-panel). However, corporate elites failed to increase their transnational interlocking directorates in absolute terms during the crisis. Thus, while the crisis of the early 1970s actually was a catalyst for more transnational interlocking, the 2008 one was not. Before we turn to an elaborate discussion of these findings, to get the full picture we need to investigate two additional properties of the network. First, we need to take a closer look at the network dynamic from the perspective of the directors and, second, we need to understand how these interlocks tie distant parts of the globe together.

*From big linkers to single linkers*

Earlier studies (for instance Fennema 1982; Heemskerk 2013; Stokman et al. 1985) had already shown that a small group among the corporate elite was responsible for a large share of the network of interlocking directorates. The big linkers, namely those with at least four positions in the top 176 firms, became more prominent between 1970 and 1976. For example, in 1976 a group of 23 big linkers together formed no fewer than 175 board interlocks. In other words, a mere 1.2 per cent of the corporate elite were responsible for 31 per cent of the entire network. As Table 5 illustrates, there

**Table 5: Distribution of interlocks over directors**

Directors with:	1976	1996	2006	2013	Δ% 76–96	Δ% 96–06	Δ% 06–13
Four or more positions (big linkers)	23	18	5	5	-21.74	-72.22	0.00
number of interlocks	175	124	64	30	-29.14	-48.39	-53.13
share of all interlocks	31%	26%	20%	12%	-16.08	-24.34	-41.04
Three Positions	45	48	35	28	6.67	-27.08	-20.00
number of interlocks	135	144	105	82	6.67	-27.08	-21.90
share of all interlocks	24%	30.51%	33%	32%	26.33	6.88	-1.77
Two Positions (single linkers)							
number of interlocks	249	204	153	146	-18.07	-25.00	-4.58
share of all interlocks	45%	43.22%	48%	57%	-2.97	9.94	20.03

**Table 6: Transnational interlocks between and within geographical regions**

		1976		1996		2006		2013	
		N	%	N	%	N	%	N	%
EC (1976 members)	EC (1976 members)	35	35%	34	36%	36	34%	22	28%
EC (1976 members)	United States	13	13%	9	9%	6	6%	11	14%
EC (1976 members)	Rest of Europe	13	13%	17	18%	13	12%	14	18%
United Kingdom	EC (1976 members)	12	12%	11	12%	17	16%	10	13%
United States	Canada	12	12%	5	5%	-	-	1	1%
United Kingdom	United States	7	7%	6	6%	13	12%	1	1%
EC (1976 members)	Canada	3	3%	4	4%	7	7%	-	-
United Kingdom	Canada	3	3%	-	-	-	-	1	1%
United Kingdom	Rest of Europe	1	1%	3	3%	5	5%	6	8%
United Kingdom	Australia New Zealand	1	1%	-	-	2	2%	1	1%
EC (1976 members)	Japan	-	-	-	-	3	3%	2	3%
Rest of Europe	Japan	-	-	-	-	-	-	1	1%
United Kingdom	Japan	-	-	1	1%	1	1%	1	1%
United States	Rest of Europe	-	-	5	5%	3	3%	8	10%

has been a massive decline in big linkers. Following the corporate governance reforms of the late 1990s, the number of big linkers dropped to only five in 2006 and 2013. Notably, these five elite members still carried 20 per cent of the network in 2006 and 12 per cent of it in 2013. Among them were business tycoons such as Gerhard Cromme and former Renault CEO Louis Schweitzer in 2006 (each with

seven positions) and UBS director Beatrice Weder di Mauro and former Bayer CEO Werner Wenning in 2013 (each with four positions).

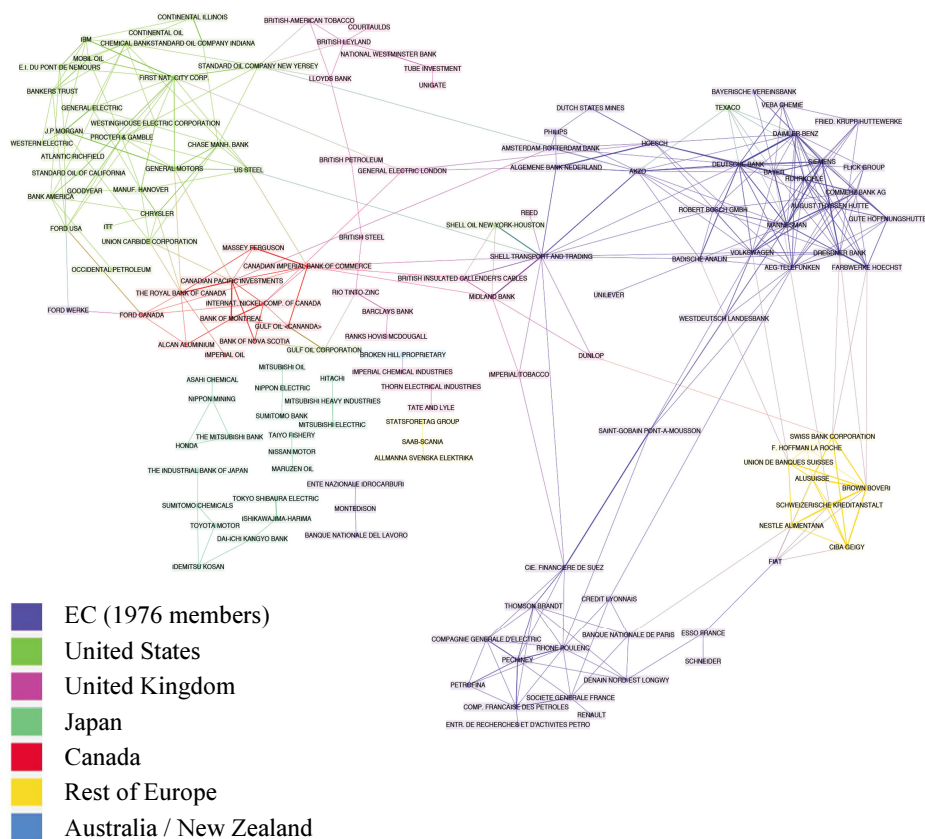
While big linkers were becoming an anomaly, what we may call *single linkers* – corporate elite members with only two positions among firms in the sample – were increasingly carrying the network. In 2006, these single linkers already accounted for about half of all the ties and they created the majority of the network by 2013 (57 per cent). This development may have far-reaching consequences. The network no longer depends on a small core of big linkers but finds its foundation in a growing number of single linkers. This is equally true for the subset of transnational ties. In 1976, the big linkers together created 48 per cent of all transnational interlocks. By 2013, this had dropped by 13 per cent (to a total of ten). The single linkers, on the other hand, increased their share of transnational interlocking activities from 33 to 44 per cent. Consequently, the ensuing corporate network is less hierarchical and centralized than it used to be; it is less dominated by a small number of big linkers and more diffuse.

*The geographical topography of the transnational corporate elite*

Finally, we consider how transnational board interlocks connect different parts of the globe. About half of all transnational board interlocks occur in continental Europe, which encompasses a large number of countries in a densely populated, economically developed and politically integrated area (the EC + rest of Europe in Table 6). It is important to note that the firms in the ‘rest of Europe’ category are, without exception, western European. Europe is followed by North America (USA + Canada), though here corporate interlocking declined over time. In the USA, it fell from 90 in 1976 to 21 in 2013, in Canada from 43 to 7, between Canada and the USA from 12 to 1. Transnational ties in Europe increased between 1976 and 1996, remained stable until 2006, then dropped from 49 to 36 in the crisis years. The ties *between* Europe and North America, by contrast, became stronger between 2006 and 2013, increasing from 9 to an all-time high of 19. This is not due to an ‘Anglo-American’ connection, for the North Atlantic connections with the UK had almost disappeared by 2013.

The breakdown of the network over geographic regions also reveals that the increase in transnational interlocks from 95 to 106 during the period of decline of national corporate communities, namely between 1996 and 2006 (see Table 2), is due to British firms increasing their ties with both Europe and the United States. In similar vein, the decrease of transnational interlocks during the crisis years is mostly due to the retreat of British firms from the global business elite network. In retrospect, the relatively well-connected position of British business in the transnational network in 2006 was remarkable. This was the period when the third way politics of ‘New Labour’ saw an increasing inclination toward US–UK relationships. Following the crisis of 2008, however, UK firms drastically cut their transnational board ties with both continental Europe and the USA (19 interlocks in total). This sharp rise and subsequent decline warrants a closer look at the firms behind this dynamic. By 2006, only three British firms were together creating 22 of the 38 British transnational interlocks. First, British Petroleum had six transnational board interlocks, which

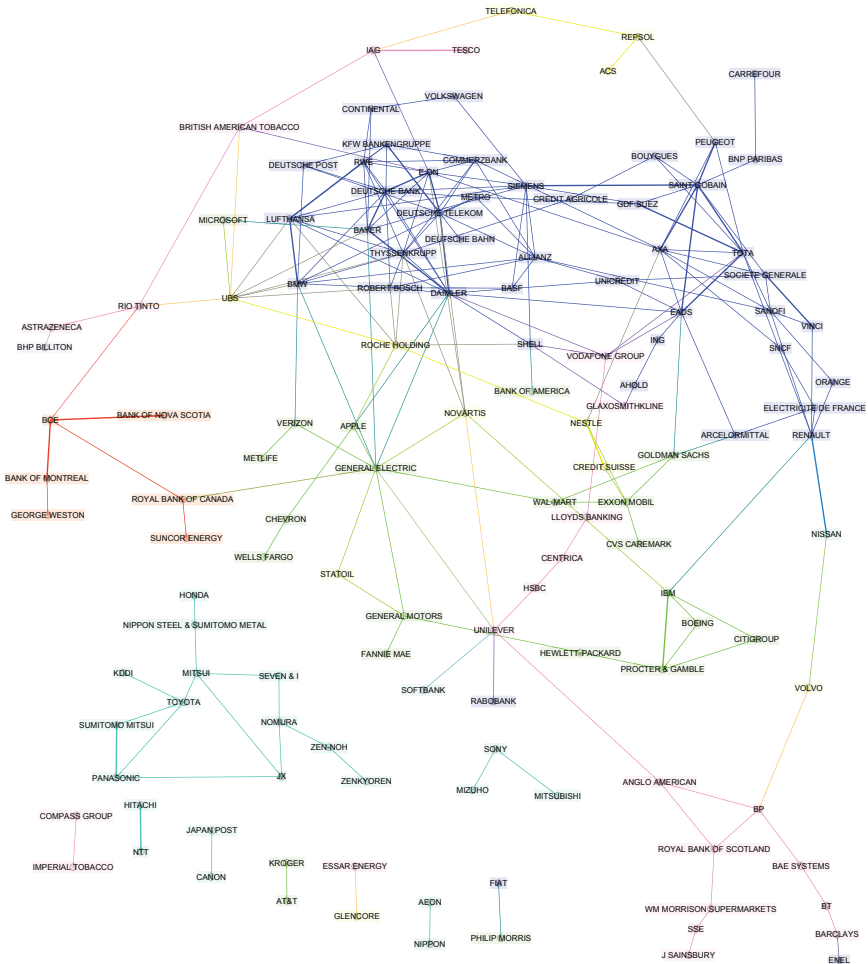
**Figure 1: The network of interlocking directorates between the top 176 global firms, 1976**



included, among others, the US firms Goldman Sachs (with which it had two interlocks), General Motors and General Electric. The crisis hit all these US firms hard and, perhaps because of that, by 2013 none of these ties remained.<sup>3</sup> Second, Vodafone had six transnational interlocks in 2006 and remained well connected with four in 2013. Third, AstraZeneca lost all but one of its ten transnational interlocks. The retirement of big linker Louis Schweitzer in 2012 accounts for a large share of this decline. This again underlines how much the network topography depends on the position of central individuals.

Besides the drop in transnational interlocks by UK firms, we registered a similar falling off among the 1976 cohort of European community members, whereby in 2013 only 22 of the 36 transnational ties that existed in 2006 remained. However, the number of transnational interlocks among the 1976 cohort of EC firms present both in 2006 and 2013 (the 135-panel) remained relatively stable, with 23 in 2006 and 20 in 2013. This underscores that the rise and fall of British transnational interlocks was the key development. Although interlocking among firms based in EC (1976) countries declined, Europe as a whole (EC 1976 + UK + other European countries),

**Figure 2: The network of interlocking directorates between the top 176 global firms, 2013**



which claimed 61 per cent of all transnational interlocks in 1976, accounted for 67 per cent in 2013. In the same period, interlocks between US-based firms and firms domiciled in other European countries (mainly Switzerland) emerged and proliferated to represent one-tenth of all transnational interlocks in 2013. The net effect of these shifts is to consolidate further the combined presence of the USA and Europe in the transnational network. From 1976 to 2013, transnational interlocks among European and US-based firms increased from 74 per cent to a massive 91 per cent of all transnational ties.

Japan, finally, remains marginally connected, albeit at higher levels now than in the twentieth century. Figures 1 and 2 graphically represent the network of interlocking directorates in 1976 and 2013 (isolates excluded). The peripheral position of Japan in both years is obvious. The figures also illustrate that by 2013 the North-

American and European parts of the network – quite distinct in 1976 – had integrated further. In sum, the effect of the crisis was that the North Atlantic ties connecting continental Europe and the USA gained in strength.

### **Did the crisis strengthen or weaken the global corporate elite?**

Overall, our findings seem to support Drezner's thesis. Corporate elites have not retreated into their national business communities and that the transnational network of interlocking directorates remained in place during the crisis. Our findings therefore run counter to Block's expectation that the elite's first priority is to secure its particular interests at the cost of global class unity. When we look at the network of interlocking directorates from 1976 to 2013, we see both a structural decline and remarkable resilience. Because the structural trend towards fewer interlocking directorates was already present before the crisis, we cannot attribute the thinning of the corporate elite network between 2006 and 2013 to the financial crisis alone. Notably, this decline is present in national business communities but less so in the transnational network. While the number of interlocks within countries decreased sharply (from 459 in 1976 to 177 in 2013) the proportion of interlocks between countries remained stable between 1976 (18 per cent) and 1996 (20 per cent) and had increased to 33 per cent by 2006. This percentage remained stable during the crisis years. In other words, the transnationalization of the international network accelerated after 1996 and the global economic crisis, so far, has not fostered a renationalization of the international network. In fact, the transnational network increased in relative importance and remained largely intact during the period between 2006 and 2013. In addition, the existence of transnational interlocking no longer depends – as it used to – on a small number of big linkers but increasingly finds its foundation in a growing number of single linkers. The network has become less hierarchical and more diffuse.

### *The last days of organized capitalism*

Our findings call for a historically specific approach to each crisis, rather than a general theory of crisis and its impact on the organization of the corporate elite. The corporate elites of the early 1970s and mid-2010s are fundamentally different, and so is their reaction to crisis. The 'organized capitalism' of the early 1970s followed a 'golden era' of postwar boom and class-compromise politics (Hilferding 1968; Lash and Urry 1987). During the postwar boom, the interests of the largest corporations coincided with those of organized labour, there was some government interference in the markets, and national corporate networks were an important feature of this phase of organized capitalism. Mizuchi gave a detailed and convincing account of how this operated in the USA. The core of the postwar corporate elite exhibited what he called an 'enlightened self-interest', in which its members believed that their own privileges would be secure only to the extent that society rested on a strong corporative foundation. They had an ethic of social responsibility (Mizuchi 2013: 8–9). The members of the corporate elite organized themselves through board interlocks, where

the boards of big banks in particular served as meeting places for the top executives. Scholars have given similar accounts of corporate elites in organized capitalism in numerous other Western industrialized economies (see for instance Carroll 2004; David and Westerhuis 2014; Heemskerk and Fennema 2009; Useem 1984).

In the early 1970s, the corporate elite was still inclined to look upon the economic crisis as a joint problem and it had a network structure that facilitated consensus formation. Faced with international competition now that Germany and Japan had recovered and with domestic economic problems, the corporate elites in Western-industrialized firms invested in transatlantic business networks. Transnational board interlocks helped to build one of these business networks and the formation of policy planning groups built others. For instance, in 1973 David Rockefeller set up the Trilateral Commission to foster closer cooperation between the USA, Europe and Japan. The rise of the transnational network was a reflection of a corporate elite geared towards collective action.

#### *The decline of national business communities*

The basis for organized capitalism changed during the 1970s when the growth in productivity slowed down, inflation soared, unemployment rose and Keynesians policies failed. During the 1980s and 1990s, the corporate elite became more conservative and self-centred (Mizuchi 2013). We can attribute this ‘decline of the corporate community’, which the thinning of the network of interlocking directorates reflected, to a number of connected factors. First, the shift from relationship-based to transaction-based financing lost the boards of banks their role as a meeting place. Second, the deregulation of the financial sector in the 1980s led almost instantaneously to the centralization of capital into a few big banks and, with that, the disappearance of many interlocks between banks, trust companies and life insurers. Third, the rise in the 1990s of new corporate-governance norms discouraged directors from simultaneously holding numerous directorships. According to Mizuchi (2013: 225–6), this thinning of corporate networks also decimated the corporate elite’s ability to enact its collective interests:

The decline of the banks had weakened a key source of consensus formation. The take-over wave had decimated corporate management, leaving in its wake a collection of highly paid, high profile figures who, under a level of external pressure virtually unsown a generation earlier, exhibited an increasingly ‘slash and burn’ mentality. The results of these developments was an elite that had become fragmented, an ineffectual group incapable of acting collectively to address not only the concerns of the larger society – as its predecessors had done – but even the concerns of its own members.

The decline of organized capitalism helps us to understand why we failed to see the same increase in interlocks following the 2008 crisis as we did in the wake of the early 1970s one. By the time the latter crisis hit, increasing network activity was no

longer seen as part of the solution. In general, board interlocks became less popular and those championing the interests of the shareholders regarded them with a fair amount of suspicion. Corporations reacted to the crisis by increasing the size of their boards, but did not invite the particularly well-networked people (big linkers). At the national level, following a long and stable trend, network density continued to drop and this contributed to the further fragmentation of national business communities. Firms became more interested in their own self-interested survival than in the concerns of the larger society.

*The global recomposition of the corporate elite*

This account of the fragmentation of national corporate elites is convincing and it helps us to understand why we do not see an increase in absolute numbers of transnational interlocking. However, it stands at odds with the remarkable stability of the transnational network. While the national networks thinned out, the processes of capitalist transnationalization continued. The increase in global trade, foreign direct investments and capital flows produced transnational interlocks, particularly in Europe. Beyond the national, the network becomes increasingly transnational in its orientation. This is because national network ties decrease faster than transnational ones and because more and more corporate elite members are engaging in border-crossing board interlocks. Strikingly, in 2013 nine-tenths of the transnational interlocks occurred among firms based in Europe or the USA, thus lending further credence to van der Pijl's (1984) thesis that the global corporate elite is centred in the North Atlantic region (Burris and Staples 2012; Carroll 2010).

Our results show that, as a group, the corporate elite has become less densely connected but more transnational in character. We see this as indicative of a recomposition of the corporate elite from a national to a transnational orientation. Thus, even though the absolute number of transnational board interlocks drops (somewhat), we argue that this does not automatically mean that the transnational network loses its importance. In their recent study of the European corporate network, Vion et al. found that the national anchorage of the business elite declined, and that the relative share of transnational interlocks remained stable. Unlike us, however, they conclude that 'transnational linkages have not grown much and thus the capacity for acting cohesively at moments of crisis does not exist' (Vion et al. 2015: 185). We, by contrast, argue that elite cohesion does not require *increasing* board interlocks. In the light of the steady decline of national corporate elite networks, the remarkable stability of the transnational network is what stands out and what signals elite cohesion. In addition, it is important to understand that, in structural terms, this transnational network is different from its national predecessors. A growing group of single linkers created and sustained it, not a few bigwigs. This does not mean that it is less of a network, but that it is less oligarchic in a specific structural sense. It also means it is more democratic, in the sense that is less hierarchical.

As leadership positions fade away, the more 'horizontal' structure of the transnational network may reduce the transnational elite's capacity to create consensus. At

the same time, there is recent evidence of the transnational corporate elite actively safeguarding its interests. Murray recently showed how firms that play a central part in the transnational network of board interlocks are more likely to donate money to US political campaigns than those outside the network. Transnational centrality is a significant predictor of globally oriented political activity. Because Murray controls for the economic interests of individual companies, his findings lend support to the interpretation that the political activity is suggestive of a transnational ‘class for itself’ (Murray 2014). Taking a different research approach, Dudouet et al. (2013) show how, through career trajectories and revolving doors, the upper layer of the European corporate elite is able to sustain tight connections with the executive branches of states and European institutions.

Of course, we need to guard against reducing the entire (transnational) corporate community (and its various sources of integration) to the practice of interlocking corporate directorships. There are also good indications that the recomposition of the corporate elite goes together with the elite’s increased political activity. While national business networks of board interlocks thinned, corporate elites created agencies of business activism – ‘councils’, ‘roundtables’ ‘institutes’ and the like – that brought leading capitalists and organic intellectuals together for explicitly political purposes (Carroll 2004: 210). This increasing corporate-elite engagement with policy-planning groups helped to consolidate a transnational neoliberal policy bloc (Carroll and Sapinski 2016 forthcoming). At the same time, these policy-planning groups may ‘politicize’ the issues on the agenda and hence increase conflict among the corporate elite. Another valid point of concern is that there is good reason to believe that national contexts may remain the main spaces for socialization into corporate elites (Vion et al. 2015).

We have argued that networks are needed to spread and sustain ideologies. Our research shows an important part of the network of the corporate elite – its interlocking directorates – becoming thinner and less centralized. Our conclusion, therefore, needs to be less sanguine than Drezner’s. In the near future, the network may well collapse into a fragmented corporate elite and, as Mizruchi (2013) shows for the USA, a fragmented elite is unable to provide the sort of leadership that could persuasively construct a notion of the general interests of society. Drezner argued that a consensus among the global business elite was responsible for the financial world system remaining intact during the great crisis of 2008. Rather than concluding that the system worked, we acknowledge that the system survived, but ask for how long.

## Notes

1. We can trace this thought back to Adam Smith, who was also sceptical about managers of ‘other people’s money’. See discussion in Heemskerk (2007: 26).
2. The Orbis data are very useful, but not without flaws. The impressive scope goes together with quality problems: incomplete, erroneous or missing information on positions. For example, for the top 176 firms in 2013 we tried to get an accurate selection of board members from Orbis. However, the code ‘BoD’ for Board of Director position in Orbis is not always correct. Orbis often registered people as BoD who were in fact senior managers,

or on the board of a subsidiary firm. In other instances, BoD excludes top executives (CEOs or CFOs) who are also members of the board. For two-tier systems, we need to have both the supervisory board (SupB) and members of the senior management (SenMan) who sit on the executive board. Unfortunately, Orbis did not systematically code this. A comparison of the best selection we could make from Orbis with the actual board composition as reported in the annual reports showed that 764 positions were missing in our initial selection of the Orbis data. Of these, 114 were not in Orbis at all; the others were not included in our selection because of incomplete information in Orbis (for instance, a person is listed as officer of a firm but not as board member). In addition, 380 positions were included in Orbis while they should not have been. Against the 2763 positions in the sample, this means an over inclusion of 14 per cent and an under inclusion of 4 per cent for the Orbis database.

3. There is no sampling bias influencing these results. BP, Vodafone and AstraZeneca are present in both 2006 and 2013. Also, all nine of the US firms that are interlocked with UK ones remain in the sample, including the three mentioned.

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