

Joselle Dagnes

**Thomas David and Gerarda Westerhuis (Eds.), The Power of Corporate Networks. A Comparative and Historical Perspective. New York: Routledge, 2014, 349 pp.**

(doi: 10.2383/89518)

Sociologica (ISSN 1971-8853)

Fascicolo 3, settembre-dicembre 2017

**Ente di afferenza:**

()

Copyright © by Società editrice il Mulino, Bologna. Tutti i diritti sono riservati.

Per altre informazioni si veda <https://www.rivisteweb.it>

**Licenza d'uso**

Questo articolo è reso disponibile con licenza CC BY NC ND. Per altre informazioni si veda <https://www.rivisteweb.it/>

## Book Review

### **Thomas David and Gerarda Westerhuis (Eds.), “The Power of Corporate Networks. A Comparative and Historical Perspective.” New York: Routledge, 2014, 349 pp.**

doi: 10.2383/89518

Starting from Granovetter’s lesson about social embeddedness [Granovetter 1985], sociologists have made it clear that networks are not simply the disorderly sum of nodes and ties, but rather are structures that influence their components while also being constrained by them. Drawing a parallel, we could say that *The Power of Corporate Networks* is not merely a collection of juxtaposed chapters, but rather is a comprehensive report on a complex research project whose strength – and certain inevitable weaknesses – lie in the interconnection of its parts, as I will illustrate in this review.

The book edited by Thomas David and Gerarda Westerhuis is devoted to the analysis of networks based on board interlocks, i.e., ties between companies created by directors sitting on more than one board. Specifically, the authors aim to show how corporate networks change and to explain this development over time. As the subheading indicates, they do so by taking a simultaneously comparative and historical approach: the research project investigates the evolution of interlocking networks in fourteen different countries on three continents – USA, Great Britain, Germany, the Netherlands, Switzerland, Austria, France, Italy, Portugal, Bulgaria, Finland, Argentina, Japan, Taiwan – over a period of almost a hundred years, from 1913 to 2003.

The cross-sectional perspective is consistent with a large body of studies on corporate networks launched by the pivotal book, *Networks of Corporate Power*, edited by Stokman, Ziegler and Scott [1985]. Through a comparative institutional analysis, these studies focus on the role of cultural-cognitive, normative, and regulative elements in defining the structure of networks and the possible modes of interaction allowed by ties (control, competition, cohesion, communication). In David and Westerhuis’ book, these factors are the starting point for the development of an analytical framework consisting of three distinct levels and aiming to understand the features of the corporate networks in each country considered. The first, or macro level, is each country’s political and economic environment. The second, or meso level, is the networks’ relational fabric, i.e., the entire set of ties interconnecting the companies. The third, or micro level, consists of the individual firms and the stakeholders within them (owners, managers, and employees). According to the authors, the shape taken by a national corporate network at a given time depends on the combination – and the reciprocal influence – between the institutional context, the strategies of actors having interests in firms, and the structural boundaries to their agency.

This multi-level interaction clearly emerges when corporate networks are observed diachronically from a long-term perspective, as the authors do. In fact, the ties’ evolution is traced using eight benchmark years – 1913, 1928, 1938, 1958, 1973, 1983, 1993, and 2003 – covering the entire Twentieth century. Thus, while most analyses of corporate networks focus exclusively on their latest trends, the research carried out by David and Westerhuis enables them to contemplate several key economic and political events over

time, e.g., the Wall Street crash of 1929 and the subsequent Great Depression, the post-World War II reconstruction, the 1973 oil crisis, the fall of the Berlin Wall, and the European monetary unification.

This comparison between countries and over time brings certain continuities and discontinuities in time and space to light. Two main findings emerge. First, the usual distinction between liberal market economies (LME) and coordinated market economies (CME) [Hall and Soskice 2001] does not seem to be sufficient to explain the different evolution of national corporate networks. Even within the same Anglo-Saxon or Continental capitalist model, in fact, exogenous shocks can trigger reactions of a different hue, while “national corporate networks react very differently to external structural breaks” [p. 22]. Factors such as national laws and policies, the relation between the industrial and the financial sphere, the role of other institutions, the positioning of the élites – and the interplay of these elements – need to be taken into account in order to comprehensively scrutinize the emerging aftermath in relational terms. Second, the authors find that some of the latest trends in corporate networks, commonly considered as never-before-seen effects of new phenomena such as globalization and financialization, are in fact reactions to a changed environment or structural breaks that have already appeared in previous historical phases.

Such far-reaching results were achieved through a coordinated and consistent research project, the involvement of scholars from different disciplines, a combination of quantitative and qualitative techniques, and a high standardization of data. However, this approach unavoidably brings some research restrictions with it.

From a methodological point of view, the need to define common parameters to allow for comparison inevitably seems quite rigid and introduces some distortions in the analysis of the distinct national case studies. For instance, selecting a fixed number of joint-stock firms in each country – the top 125 for small countries and the top 250 for the large ones – imposes arbitrary boundaries that make it impossible to consider the specific extension and structure of the national financial markets. In addition, some important network information is missed, such as the possible existence of ties between companies of different size and the related subsidiary relationships. Similarly, using fixed benchmark years in some cases means that no due consideration is given to events that, although relevant, are limited to the national context, and to their structural consequences.

Some concerns also arise with respect to the organization of the chapters, which are divided into five parts dealing respectively with large developed economies (USA, UK, Germany), small European economies (the Netherlands, Switzerland, Austria), state capitalisms (France, Italy), peripheral Europe (Portugal, Bulgaria, Finland), and developing economies in Asia and Latin America (Argentina, Japan, Taiwan). While some of these distinctions are usual, others are uncommon and not immediately understandable. Why is the flourishing Swiss financial market defined as small, and associated with the Dutch and Austrian ones? Have extremely different European countries such as Portugal, Bulgaria and Finland, representing distinct models of capitalism, been considered together and labelled as peripheral only because of their geographic location, which seems unlikely, or have other elements been taken into consideration? Are the non-European countries just a residual category or a group with unifying features? Incidentally, it is not clear whether the proposed distinction was preconceived, or is a research outcome.

In either case, more explanation is needed: in the first case, to clarify what subdivision criteria were adopted; in the second case, to highlight the common structural factors that led countries with profound political, economic, social and geographical differences to be included in the same category.

The latter aspect introduces a further concern about this book, relating to the lack of a thorough comparison between the different cases. Despite the project's laudable comparative ambitions and rigorous research design, I do not believe it has fully exploited its potential in this regard. Although part of David and Westerhuis' introductory chapter is devoted to identifying broad phases for corporate relationships, emphasizing the national networks' similarities and divergences in each phase [pp. 12-21], the book would have benefited from additional sections dedicated to comparisons within the individual areas mentioned above. However, such additions are still feasible, since the wealth of data and information collected can be profitably used in future work to establish dialogue between different national cases.

## References

Granovetter, M.

1985 "Economic Action and Social Structure: The Problem of Embeddedness." *American Journal of Sociology* 91(3): 481-510.

Hall, P.A., and Soskice, D.W. (Eds.)

2001 *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.

Stokman, F.N., Ziegler, R., and Scott, J. (Eds.)

1985 *Networks of Corporate Power: A Comparative Analysis of Ten Countries*. Cambridge: Polity Press.

*Joselle Dagnes*  
University of Turin