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Network of Board of Directors in Mexican Corporations: A Social Network Analysis

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ABSTRACT

The purpose of this research is to provide an account of board interlocks in relation to independent directors and their potential implications for corporate governance practices in an emerging economy. Using Social Network Analysis, this research examines whether a pattern of interlocked directorates exists among the 126 publicly traded corporations in Mexico based on data from 1,516 inside and outside board members of the whole corporations traded in the Mexican Stock Market as of January 2011. We found that in Mexico, independent board members have created a network structure of social relationships through board interlocks. The paper demonstrates that a few individuals are far more powerful than others due to the connections they hold with the network. We argue that this has severe consequences in maintaining the independence, transparency and accountability of corporate governance affairs to shareholders. It will be of great value to researchers and practitioners seeking to gain a better understanding of corporate governance frameworks in various settings. This finding has policy implications for the economic development programmes often prescribed by the multilateral agencies without considering the local context. Drawing on Pierre Bourdieu's theory of social capital and applying social networking analysis, the paper reveals the interconnectedness of board members, especially independent directors. This helps unravel the most powerful actors in the corporate governance field in Mexico. Highlighting the concentration of power in a few individuals in this field is especially important given the weak capital markets, family ownership and lack of institutional investors in Mexico specifically and in emerging economies generally.

Keywords: social network analysis, board interlocks, Pierre Bourdieu, social capital, Mexico