

Director Interlocks

Director interlock between two organizations is created when one person sits on the boards of directors of both organizations simultaneously. Organizations may include:

- Corporations
- Foundations
- Policy Planning Organizations
- Universities
- Charities
- Etc.

Corporate board members:

- Inside directors (top executives of the firm)
- Outside directors (not executives of the firm)
 - Executives of other firms
 - Retired executives
 - Large shareholders
 - People with important non-corporate connections
 - Prestige or “trophy” directors

Types of corporate interlocks:

- Direct interlock between A and B ($A \longleftrightarrow B$)
- Indirect interlock between A and B ($A \longleftrightarrow C \longleftrightarrow B$)
- Strong tie (when person is executive of one or both firms)
- Weak tie (when person is an executive of neither firm)
- Single versus multiple interlocks

What do interlocks indicate?

- Significance for individual firms
 - Common ownership
 - Control of one firm over another
 - Communication and collusion among firms
 - Cooptation among mutually dependent firms
- Significance for system as a whole
 - Monitoring and information gathering
 - Social and political cohesion
- Minor significance
 - Interpersonal ties among directors with limited consequences
 - Accidental connections created through third parties

Evidence on “broken ties”: when a director dies or retires, the majority of interlocks are not immediately recreated between pairs of affected firms. This suggests the function of most ties is not specific to a particular pair of firms.