**Network Dynamics of the Dutch Business Elite**

Eelke Heemskerk  
*University of Amsterdam*

Meindert Fennema  
*University of Amsterdam*

**abstract:** This article investigates the cohesion of the Dutch business elite during the 20th century. First it considers the old boys’ network, where social cohesion builds on shared family and educational background. Second, the board-meeting network of corporate directors in the Netherlands is analysed as an expression of the cohesion of the corporate elite. Unlike most studies on interlocking directorates, this article focuses on the interpersonal perspective of the network instead of the intercorporate perspective. The study finds that social cohesion declined between 1976 and 2001. The meeting network of the Dutch corporate elite has become the realm of brokers rather than a device of social cohesion and social closure. It no longer serves the purpose of creating trust among the corporate elite. As a result, norms of corporate governance have become blurred.

**keywords:** corporate elite • corporate governance • interlocking directorates • the Netherlands • network analysis • networks

A shift has taken place *within the corporate elite*, from oligarchy to democracy. (Carroll, 2004)

**Introduction**

Those of the business elite who control the largest firms in our economies are a privileged group in society. Recently, they have found themselves at the centre of much attention. Following the discussions from the early 1990s onward on what good corporate governance actually entails, a number of corporate scandals combined with a stark increase of top executive remunerations questioned the position of the corporate elite in our societies.
By ‘corporate elite’ we mean the subset of the business elite who sit on the boards of the largest firms of our economies. Bestowed with positional (executive or supervisory) power, this corporate elite found itself confronted with ‘the brutal realities of the new global economy’ (Maclean et al., 2006: 197), including increasing foreign direct investments, stiffened international competition, hostile takeovers and increased pressures from financial markets and – in particularly – shareholder concerns.

Internationalization of business is leaving its mark on the composition of corporate boards and hence on the composition of the corporate elite. Throughout Europe, corporate boards and top management teams are becoming highly internationalized (Staples, 2007). Yet, in the mid-1990s, there was hardly any sign of a growing transnational network of corporate board members (see Carroll and Fennema, 2002; also Kentor and Jang, 2004), but the extent and growth of the diversity in national background of the boards of big business suggest that the transnational network of corporate directors is gaining in strength.

Cohesive corporate elite networks have historically been a constituting element of many national business systems (Fennema and Schijf, 1978; Stokman et al., 1985). Corporate board interlocks, where one director sits on multiple boards, are central elements of these business systems. With the growing attention for ‘good’ corporate governance, networks of board interlocks have been viewed with growing suspicion by shareholder advocates. For one, with a growing attention on proper governance, executive directors holding outside directorships were considered to be ‘too busy’ to perform their duties properly. Also, vacant board positions were considered to be filled almost exclusively by people already within the network of corporate directors, hampering the diversity of perspectives in corporate boards. And finally, the strong network of overlapping board memberships was considered an illegitimate power base of an autonomous group of managers, who controlled corporations at the expense of the shareholders.

The issue we aim to explore in this article is the changing social cohesion among the corporate elite. The key question is whether the upsurge of internationalization and concomitant focus on shareholder-oriented corporate governance reforms have induced a fragmentation of the corporate elites’ social cohesion. Alternatively, we might expect that changes in corporate elite social cohesion will occur as a result of an incremental process of social change, steadily building up over the years. In other words, is the network dynamic of corporate elite best depicted by sudden or by incremental changes?

In what follows, we investigate this issue by looking at the changes in corporate elite structure in the Netherlands over the past century, with a focus on the closing quarter of the 20th century. The Netherlands is a
small, internationally oriented country with a relatively large number of multinational corporations. Engelen portrays the Dutch regime as ‘a contingent patchwork of liberal, corporatist and social democratic institution building’ (Engelen, 2002: 407). The organization of the economy is relatively close to the German variety of coordinated capitalism (Hall and Soskice, 2001), although many Dutch enterprises are oriented towards the Anglo-American regime. The Netherlands is particularly interesting because of the very high levels of internationalization, both in board composition and in foreign direct investment and cross-border mergers and acquisitions (Heemskerk and Schnyder, 2008).

As we show, the Dutch corporate elite has not managed to uphold the dense and durable networks that fit the tradition of corporate governance in countries close to the model of coordinated market economies such as the Netherlands. The disintegration of the ‘old boys’ network’ of the corporate elite was well underway by the mid-1990s, and the wave of globalization of that time only accelerated rather than instigated this decline.

In the next section, we discuss corporate elite cohesiveness and distinguish the networks of interlocking directors as such from the more encompassing concept of the traditional old boys’ network. Our investigation into the social cohesion of the Dutch corporate elite thus falls into two separate parts. First, we look at the old boys’ network as a group of people who not only occupy two or more board positions, but also share social and family backgrounds. We argue that the social distinctiveness of the corporate elite began to disappear after 1968 and had vanished by the mid-1990s. Second, we investigate the meeting network of corporate directors in the Netherlands over the 20th century. Whereas most studies on corporate board interlocks examine the network between firms, we are interested in the architecture of the concomitant networks that exist between the directors. Two sides of the same (bipartite) coin, the intercorporate and interpersonal networks share the same foundation yet show different properties (Breiger, 1974). Applying network analysis to the boards of the 250 largest firms in 1976, 1996 and 2001, we show how in the closing quarter of the 20th century the corporate elite had lost much of its network cohesiveness.

We argue that corporate elite cohesiveness can in fact support proper forms of corporate conduct. Building on our findings of a corporate elite eschewed from ‘social standing’ and deprived from most of its previous social networks, we interpret the recent discussion of good corporate governance as a result of a lack of a normative touchstone of a cohesive corporate elite.

**Cohesion in the Corporate Elite**

When two corporate boards share at least one director, this strengthens the cohesion of the corporate elite in structural terms, by creating a meeting
network of corporate directors. Such meeting network can advance norms of (elite) behaviour and convergence of worldviews. The more people interact, the more they will like each other, and hence this inner circle of interlocking directors will become cohesive (Domhoff, 1975). Of course, there is competition between the corporate elite members as well as there is cooperation. Members of cohesive groups are relatively open to the opinions of other members compared to non-members, and are more likely to share the views of those fellow members (Cartwright and Zender, 1960; Laumann, 1966; Lott and Lott, 1965). Maclean et al. (2006), for instance, speak of the institutionally embedded elite solidarity among the business elite in France which stems from their membership of the grand écoles and the grand corps. The principle of homophily maintains that people tend to be entrenched in thick networks of similar others (see McPherson et al., 2001).

Interlockers stand out from ‘ordinary’ directors with only one position. After all, what is rational from the perspective of the individual firm is often irrational from the perspective of the interests of business as a whole. It is difficult – if not impossible – for those among the corporate elite who have responsibilities over multiple firms to be guided by the interests of individual firms alone. According to Useem, this inner circle is more politicized that the rest of the corporate elite. ‘Though members of the inner circle share with other corporate managers a common commitment to enhancing corporate profits, their heightened sensitivity to business interests more general than those that look solely to support individual company profits also sets them apart’ (Useem, 1984: 61). Those corporate directors who sit on more than three boards we call ‘big linkers’. Big linkers play, as we see later, a crucial role in the social cohesion of the network of corporate interlocks.

When the interlocking directors also share a common social background, it is even more likely that they share the same norms and values. A sense of elite solidarity may exist among them already before they are recruited to the boards of large corporations. We argue that such upper-class cohesion among the corporate elite is a defining property of what is described by the term ‘old boys’ network’.

The old boys’ network is an opaque concept. It is commonly used to refer to an elite group in society where life-long friendships and shared educational and family backgrounds define membership of that elite. The boundaries of this elite, however, are not very precise and often implicit. For instance, the term ‘old boys’ often refers to a shared educational background, especially the former pupils from the top male-only public schools in the UK. Admission to these elite schools, however, presupposes that those who end up in an old boys’ network were already from elite families in the first place. As such, ‘old boys’ network’ also means the preservation of social elites over time (see Maclean et al., 2006: 111).
We explicitly discern the old boys’ network (a durable status group with common social background) from the inner circle (the interlockers among the corporate elite). While board interlocks contribute to the cohesion of an old boys’ network, they do not define an old boys’ network. Structural cohesion may come about because a common social background and shared norms and values lead to cooptation in the corporate elite. However, the causal mechanism may also work the other way around: participation in the network of corporate interlocks may eventually lead to sharing a similar outlook and a converging social background. Thus, the old boys’ network and the inner circle of the corporate elite are separate concepts, but they share as a constitutive element a cohesive network of interlocking directorates.

Social Closure and Good Governance

In network terms, social closure exists when the persons one is related to are also related to each other. Social closure is based on so-called strong ties (Granovetter, 1973) and has a number of well-known disadvantages. An abundance of strong ties in combination with a lack of (weak) ties to other groups can lead to groupthink (Hart, 1990; Janis, 1972). Critics of multiple directorships commonly point to the negative effects of social closure: ‘You always see the same faces at the table,’ says the designer of the Dutch Corporate Governance Code, Morris Tabaksblat. ‘So many bonds in such a small club is not a good thing.’ Tabaksblat has suggested a limit on the number of positions a director could take on. The reason for doing so, he explained, is first and foremost to encourage firms to search for directors outside the inner circle (Commissie Corporate Governance, 2003). Tabaksblat sought to counter the tendency towards homophily in the inner circle by externally imposing rules of recruitment. Another way to increase diversity in the corporate board is to demand a certain quota of women or ethnic minorities in the corporate elite. Norway enacted a law in 2003 requiring companies to fill 40 percent of corporate board seats with women by 2008. The number of women on the boards of Norwegian corporations increased dramatically, from 6 percent in 2002 to 40 percent in 2007. The Netherlands now is likely to follow suit. In 2007, the percentage of women was no more than 9 percent.

Without denying the risks and problems attached to social closure, we would like to point out a positive side to it that is often overlooked. The positive side of social closure can manifest itself at the level of norms and values of the group. James Coleman has argued that social closure is fundamental for the creation of group norms (Coleman, 1988). Social closure can make relational properties exceed the level of specific relationships, thereby becoming a network property. A well-known example of this is
trust. Trust can be the property of a relationship between two people, but it can only take the form of generalized trust when social closure exist. Social closure can bring about generalized trust because the people one is connected to know each other and can combine to provide collective sanctions for deviant behaviour, or rewards in the case of ‘good’ behaviour. As Coleman argues:

Closure of the social structure is important not only for the existence of effective norms but also for another form of social capital: the trustworthiness of social structures that allows the proliferation of obligations and expectations. Yet, in a structure without closure, it can be effectively sanctioned, if at all, only by the person to whom the obligation is owed. Reputation cannot arise in an open structure, and collective sanctions that would ensure trustworthiness cannot be applied. Thus, we may say that closure creates trustworthiness in a social structure. (Coleman, 1988: 107–8)

Closure can create communities and can transform networks from mere patterns of communication to structures of social control.

When norms of good corporate governance prevail in the corporate elite, it will be difficult for any individual member to defy these norms. Such positive groupthink can contribute to socially responsible behaviour by the corporate elite members (see, for example, Westphal and Khanna, 2003). In principle, the effects of social closure can work in any social network, but shared background and social alikeness contribute strongly to its effect. The old boys’ network has indeed served as fountainhead of trust in corporate governance. As Useem has concluded for the USA, ‘self policing has become a particularly important form of social control within the large corporate communities’ (Useem, 1984: 141). If the network of interlocking directorates is no longer carried by a relatively fixed number of families and the meeting network falls apart as well, this may lead to insecurity about the social norms in corporate governance.

The Traditional Old Boys’ Network in the Netherlands

This section elaborates on the two elements of the old boys’ network: elite family background and shared educational background. During the early 1950s, 70 percent of Dutch executive directors were related through kinship ties (Vinke, 1961: 247). This was mainly due to the fact that the patrician and noble families in Amsterdam, Rotterdam and the east of the country were interrelated through multiple kinship ties (Fennema and Heemskerk, 2008). Families that belonged to the economic or political elite for at least three generations were considered – and since 1910 also registered – as part of the patriciaat. The social distance between ennobled and patrician families in
the Netherlands has always been small, in part because of the arbitrariness
with which titles of nobility had been awarded during the 19th century
(Gevers and Mensema, 2007). Together, titles of nobility and patrician
family background marked the boundaries of a Dutch aristocracy, even
though the boundaries of this aristocratic elite were not completely fixed.
We use involvement of members of the aristocracy in the governance of
corporations as a measurement of an old boys’ network.\(^2\)

Within Dutch aristocracy, there was a tendency to endogamy, a strong
feeling of we-ness, and an awareness of social and political responsibility
\textit{(noblesse oblige)} (Bruin, 1987; Dronkers, 2000; Dronkers and Schijf, 2004;
vanden Berge and Fennema, 1985). This is not to say that aristocracy always
acted in the best interests of society as a whole, but they did feel an intrinsic
quasi-feudal responsibility towards society. Aristocracy has played a
dominant role in banking and in the governance of joint stock companies
that were founded during the second half of the 19th century. In 1886, 66
percent of the interlocking directors were members of the aristocracy.
Sixteen years later, this had increased to 76 percent (Hoogenboom, 2003).\(^3\)
The aristocracy dominated the corporate elite until well after the Second
World War. In 1962, 50 percent of the big linkers still belonged to an aris-
tocratic family. But from then on, the aristocracy gradually started to lose
its position. In 1969, one-third of the big linkers belonged to the aristo-
cracy; in 1976 their share had been reduced to 25 percent (vanden Berge
and Fennema, 1985).\(^4\) By the mid-1990s, only three out of the 47 remaining
big linkers belonged to the aristocracy. By the turn of the century, the
corporate elite in the Netherlands was composed of people who do not
stem from long-standing elite families.

**Social and Cultural Capital of the Corporate Elite**

The universities long served to reinforce the boundaries of the elite in the
Netherlands. However, contrary to many of its neighbouring countries,
the Netherlands does not have a well-defined elite educational trajectory.
Although some grammar schools and universities do have the reputation
of being elitist, there are no equivalents to the French or British elite tra-
jectories. (For a comprehensive study on elite cohesiveness in Britain and
France, see Maclean et al., 2006.) Dutch universities have always been on
equal par in terms of academic quality. The only institutions which enabled
elite distinction at the universities were the student fraternities (\textit{studenten-
corpora}), which have played an important role in the creation of the Dutch
old boys’ network. The added value of these fraternities was primarily in
the life-long relationships they created. By forging allegiance to unwritten
norms of elite behaviour and providing for social capital, they gave their
members a comparative advantage in their career. Elite solidarity formed
the basis of the fraternities’ *esprit de corps* and seniority was the most important organizing element. In addition, within these fraternities, there was ample opportunity to take the first steps in governance. In the rather complex organization of the *studentencorpora*, the (aristocratic) adolescents were able to gain experience in management. In the period 1920–60 one in eight board members of these fraternities found his way to top positions in the corporate, political and administrative elite (Hillige and Fennema, 1992). Amazingly enough, these figures are the same for both the 1920s and the 1960s cohort. From the boards of the oldest and most traditional student fraternities of Leiden and Utrecht, one out of five reached top positions. But this high score is only due to a higher proportion of aristocratic board members in Utrecht and Leiden (Dronkers and Hillige, 1995). Traditionally, Utrecht is the university of the landed gentry, and Leiden is the university of the patrician families and the *noblesse de robe*. Thus, although membership of a fraternity, and especially being a board member of the fraternity, increased the changes of a future elite position in society, aristocracy remained an attribute in and of itself. From 1900 onward, middle-class student organizations were already being established as well, but their board members had fewer chances: only 3 percent found their way to the elite.

The lack of specific elite schools in the Netherlands facilitated the replacement of the aristocracy on the corporate boards by directors without an aristocratic background. The new corporate elite embraced a meritocratic ideology, according to which success is due to one’s individual and personal qualities. This is an elite without traditional obligations towards the civil society, partly because the new elite is relatively ‘footloose’ and thus lacks the traditional ties to the middle and lower classes. This lack of social roots has become the dominant characteristic of corporate directors due to a spectacular increase in the number of foreigners in the boards of the largest corporations. While in 1987 only 4 percent of the directors of the largest listed corporations were foreigners, this proportion increased to 12 percent in 1997, to 26 percent in 1999 and to 43 percent in 2002.

Whereas a social group that has intergenerational family linkages forms the old boys’ network, the ‘new boys’ network’ is populated by a collection of successful individuals. The Weberian distinction between class and status groups is applicable here. Class refers to a category of people with similar economic chances, and the term ‘status group’ refers to social groups with common lifestyles, to people who treat each other as social equals, who belong to the same clubs, attend the same social events and have a high degree of endogamy. The corporate elite has transformed itself from a status group to a class-like socioeconomic elite. Michael Useem has observed a similar tendency in the US (Useem, 1984: 172). The meeting network of the corporate elite, therefore, has lost much of its
social standing which stems from membership of a social status group. The question we now turn to is whether this demographic shift has coincided with a restructuring of the network.

**The Social Network of the Corporate Elite**

Most studies on interlocking directorates focus on the inter-firm network of board overlap only. Heemskerk (2007) found that between 1976 and 2001 the number of directors that serve on the board of more than one corporation declined, both in absolute and in relative terms. While a large number of Dutch corporations are still connected in a single network of interlocking directorates, the fragmentation of the intercorporate network has increased, especially since 1996. However, next to the network of firms, there exist simultaneously a social network of directors (see Breiger, 1974). In the interpersonal meeting network of the corporate elite, directors are the nodes in the network, connected through their joint membership of corporate boards. Since we are interested in the cohesion of the corporate elite, we investigate the properties of interpersonal network, not the intercorporate network of board interlocks.5

For the sake of brevity, we use the term ‘meeting’ to denote the membership of two corporate directors in a company. When two directors meet in more than one company, we call this a multiple meeting. Unfortunately, we do not have reliable information on the number of times the boards actually came together for each of the three years studied, so we cannot calculate the actual number of meetings of these corporate directors. The meaning of ‘meeting’ as we use here extends well beyond the casual encounter of two persons. Meeting on a board of a corporation means sharing responsibilities in the governance of this firm. Also, the shared membership in and by itself creates a bond through belonging to the same elite group of corporate directors.

We compare the meeting networks of the corporate elite of the top 250 firms in the Netherlands in 1976, 1996 and 2001. The 1996 and 2001 networks have been compiled by according to the conventions set by Stokman et al. (1985). For 1976, we used the dataset from their study. The networks are built from a stratified sample of the largest financial and industrial firms in the Netherlands with a target of the top 50 financial institutions ranked by assets and the top 200 non-financial or industrial corporations ranked by revenue (see Heemskerk, 2007).6

From a structural point of view, not all members of the corporate elite are equally important within the meeting network. Most corporate directors have a relatively restricted corporate network because they sit only on one board. Those who sit on more than one board form ‘bridges’ between boards. They can benefit from their brokerage position across different
boards (Burt, 1983, 1992, 2005). Following Useem, we have called this group of interlocking directors the inner circle. Within this inner circle the persons with four or more directorships are called the ‘big linkers’.

For each additional board membership, a director’s importance for the cohesion of the meeting network increases dramatically. The accumulation of board positions shows that particular directors are much sought after, and, as such, the number of board positions that a person holds is a sign of prestige within the business community. The big linkers owe their positions to the reputation they have among the corporate elite, which tends to be cumulative. This phenomenon is known as preferential attachment and is shown to be a central element of a wide range of complex networks (Barabási, 2001; Newman, 2001).

The next sections investigate to what extent the meeting network of corporate directors has suffered structural tendencies of decline and dispersion. First we give an overview of the network relations of the corporate elite throughout the 20th century. Following these descriptives, we turn our attention to an analysis of the cohesion of the network as from 1976. In order to investigate this, we first look at the number of firms that are part of the network, i.e. the connectedness as well as the average distance. Subsequently, social closure is operationalized and analysed with the use of local clustering. Contrasting clustering, we continue to investigate the brokerage of corporate directors in the network. Finally, we consider the core of the network by focusing on highly central directors (the big linkers) and strong ties (multiple meetings). Together, this analysis provides us with a thorough insight into the network dynamics of the Dutch corporate elite.

**Network Analysis of the Corporate Elite**

Throughout the 20th century, a group between 100 and 200 interlockers have formed an interconnected network across the boards of the largest corporations in the Netherlands. Table 1 summarizes the results of a number of studies on the composition of Dutch corporate boards. Interpretation of the figures in the table needs to be done with caution, if only because the various studies exhibit variation in the number of firms taken into account. Nevertheless, there is a remarkable agreement in outcome of the different interlock investigations about the relative size of the inner circle. For nearly a century, the inner circle comprised some 25 percent of the business elite. After 1972, however, not only the size of the corporate elite decreased, but the inner circle even more so. Table 1 shows that both the total number of corporate directors, and the percentage of interlocking directors decreased after 1976. The decrease of the absolute and relative size of the inner circle of the corporate elite has been a structural element of the Dutch corporate
Table 1  Size of Corporate Elite and Inner Circle during the 20th Century

<table>
<thead>
<tr>
<th>Year</th>
<th>Firms in sample</th>
<th>Size of the corporate elite</th>
<th>Inner circle</th>
<th>Size of inner circle relative to corporate elite</th>
</tr>
</thead>
<tbody>
<tr>
<td>1886</td>
<td>142</td>
<td>771</td>
<td>197</td>
<td>25.6 %</td>
</tr>
<tr>
<td>1902</td>
<td>104</td>
<td>599</td>
<td>134</td>
<td>22.4 %</td>
</tr>
<tr>
<td>1923</td>
<td>201</td>
<td>1302</td>
<td>292</td>
<td>22.4 %</td>
</tr>
<tr>
<td>1946</td>
<td>137</td>
<td>848</td>
<td>198</td>
<td>23.3 %</td>
</tr>
<tr>
<td>1950</td>
<td>141</td>
<td>914</td>
<td>222</td>
<td>24.3 %</td>
</tr>
<tr>
<td>1954</td>
<td>135</td>
<td>890</td>
<td>232</td>
<td>26.1 %</td>
</tr>
<tr>
<td>1958</td>
<td>131</td>
<td>847</td>
<td>216</td>
<td>25.5 %</td>
</tr>
<tr>
<td>1960</td>
<td>89</td>
<td>530</td>
<td>146</td>
<td>27.5 %</td>
</tr>
<tr>
<td>1960</td>
<td>67</td>
<td>–</td>
<td>151</td>
<td>–</td>
</tr>
<tr>
<td>1962</td>
<td>115</td>
<td>753</td>
<td>204</td>
<td>27.1 %</td>
</tr>
<tr>
<td>1964</td>
<td>86</td>
<td>596</td>
<td>160</td>
<td>26.8 %</td>
</tr>
<tr>
<td>1964</td>
<td>67</td>
<td>–</td>
<td>161</td>
<td>–</td>
</tr>
<tr>
<td>1969</td>
<td>70</td>
<td>608</td>
<td>161</td>
<td>26.5 %</td>
</tr>
<tr>
<td>1969</td>
<td>67</td>
<td>–</td>
<td>158</td>
<td>–</td>
</tr>
<tr>
<td>1969</td>
<td>86</td>
<td>–</td>
<td>195</td>
<td>–</td>
</tr>
<tr>
<td>1972</td>
<td>69</td>
<td>646</td>
<td>159</td>
<td>24.6 %</td>
</tr>
<tr>
<td>1976</td>
<td>250</td>
<td>2222</td>
<td>317</td>
<td>14.3 %</td>
</tr>
<tr>
<td>1976</td>
<td>125</td>
<td>1325</td>
<td>185</td>
<td>14.0 %</td>
</tr>
<tr>
<td>1976</td>
<td>65</td>
<td>836</td>
<td>113</td>
<td>13.5 %</td>
</tr>
<tr>
<td>1984</td>
<td>144</td>
<td>1188</td>
<td>203</td>
<td>17.1 %</td>
</tr>
<tr>
<td>1996</td>
<td>250</td>
<td>1771</td>
<td>252</td>
<td>14.2 %</td>
</tr>
<tr>
<td>1996</td>
<td>125</td>
<td>1095</td>
<td>147</td>
<td>13.4 %</td>
</tr>
<tr>
<td>1996</td>
<td>65</td>
<td>676</td>
<td>93</td>
<td>13.8 %</td>
</tr>
<tr>
<td>2001</td>
<td>250</td>
<td>1721</td>
<td>183</td>
<td>10.6 %</td>
</tr>
</tbody>
</table>

Sources: Heemskerk (2007); Helmers et al. (1975); Nobel and Fennema (2004); Schijf (1993); Stokman et al. (1988); van Beusichem (2004); van der Knoop (1991).

landscape since 1972. For 1976 and 1996, we separately computed the figures for the top 125 and 65 corporations. It shows that for all sets the relative size of the inner circle is similar.

The drop in the relative size of the inner circle during the early 1970s is, in part, the result of a concentration in the financial sector and concomitant reorganization of the Dutch corporate network. During the 1960s, a number of large banks merged. The Amsterdamsche Bank and Rotterdamse Bank merged into AMRO, and the Nederlandsche-Handelmaatschappij joined forces with the Twentsche Bank to form the Algemene Bank Nederland (in the early 1990s these two banks merged into ABN AMRO). In the early 1970s, the main agrarian Raiffeisen Bank merged into Rabobank. The newly formed banks initially had large boards incorporating many board members of the original banks. The banks were the most central hubs
in the network, sharing board members with dozens of the largest Dutch firms. After the various mergers, many of the interlocks became redundant. Thus, over time, board size was reduced and corporate interlocks removed.

The decrease of the number of interlockers, however, was not just caused by the merger movement in banking, but also by a shift in governance. Bank executives increasingly withdrew from their supervisory board positions, and the boards of all firms, including non-financials, became smaller. This drop in board size left fewer opportunities for interlocking directorates to occur.

Table 2 shows these changes in more detail. The size of the network is given by the number of directors on the boards of the largest 250 firms. The group of corporate directors decreased in size from 2222 to 1771 persons between 1976 and 1996, mainly as a result of the declining size of the corporate boards during these 20 years. Correspondingly, between 1976 and 1996 the total number of meetings decreased from 21,074 to 11,354, a decline of 46 percent. Between 1996 and 2001, however, the size of the corporate elite decreased only slightly. The number of meeting opportunities dropped from 11,354 to 9810.

Now we turn to the connectedness of the meeting network as an indicator of the social cohesion of the corporate elite. Typically, networks consist of a few small components and one single, large component. A component of a network is a maximal set of interlockers, such that there are no other interlockers in the network which meet one of them. Indeed we find that most members of the corporate elite meet each other in one dominant component. It is worth noting that at none of the three time points a component of considerable size existed next to the large component. The analysis of the meeting network can thus focus on the large component.

By the mid-1990s, more than 80 percent of the corporate directors were part of this dominant component, compared to more than 70 percent in the mid-1970s. Thus the corporate elite had become relatively more connected by the mid-1990s. At the same time, the density of the network had declined by nearly 50 percent, as portrayed by the drop in meetings. However, in absolute terms the dominant component actually decreased
in size, as the third row of Table 3 illustrates. In 1996, the corporate elite was smaller and there were fewer meetings, but these changes did not affect the relative connectedness of the network. The corporate elite apparently was able to increase communication efficiency between 1976 and 1996. It seems as if the loss of social cohesion due to the decrease in density of the meeting network was initially compensated by a higher connectedness of the large component.

After 1996, the density of the inner circle continued to decrease. With fewer directors acting as linchpin between the boards, the network became fragmented. By 2001, 35 percent of all directors found themselves isolated from the dominant component of the Dutch business elite. In addition, the growing average distance between directors in the network also points to a loss of cohesion. By 2001, the average distance between directors in the dominant component was 3.9 as opposed to 3.6 in the mid-1970s.

Network Closure and Brokerage

Network closure can be measured with the clustering coefficient (Watts, 1999). Clustering measures the extent to which the contacts of a director are connected to each other (the density of ego’s neighbourhood). The clustering coefficient equals 1 if the director’s contacts are all interconnected. The average of all the individual clustering scores is a measure of social closure at the group level. A reduction of such closure signals a shift from a network that sustains community influence (through closure), towards a network that sustains entrepreneurial opportunities (through brokerage). As a whole, the entire meeting network of the corporate elite is necessarily highly clustered, as all directors are part of at least one fully connected group: the boards. The meeting network among the interlockers only, however, is not a priori highly clustered. In the following network analysis, we therefore focus exclusively on the meeting network of the interlockers only.

The clustering coefficient of the meeting network of the inner circle decreases from an average of 0.58 in the mid-1970s to 0.49 by 2001. In 1976, the clustering of the inner circle is 9.3 times higher than expected on the basis of a random distribution of the meetings over the interlockers. Twenty years later, this ratio is even up to 10.4, but in 2001, it drops to 8.6. Between 1976 and 1996, the inner circle lost many of its meeting opportunities, but still remained highly connected. With the benefit of hindsight, the network configuration in 1996 was exceptional in that it provided a remarkably high level of connectedness. But over the entire time span, the inner circle of the corporate elite lost in density and connectedness. Social closure substantially decreased.

The loss of social closure within the network of interlockers means that interlockers increasingly become brokers. When somebody is the only
connection between two persons or to clusters of persons, he or she is a broker in the network (or spans a structural hole, see Burt, 1992). To measure brokerage, the concept of betweenness centrality is used. The idea that underlies the concept of betweenness is that a director is central when he or she is part of the (shortest) connection between two other directors. An actor with high betweenness centrality is the ‘actor in the middle’, and has a bridging position which increases the personal influence of the director (Wasserman and Faust, 1994: 188–9).

In networks with large average distances, betweenness is not very meaningful. After all, it is hard to determine the significance and functionality of being in the middle of a path of, for instance, 7 degrees of separation. For the inner circle, however, the distances are small. As brokers of the network, interlockers are about one handshake closer to each other than non-interlocking members of the corporate elite. In the mid-1970s, any piece of information had on average to travel 2.6 handshakes to reach any other interlocker; in 2001, this had gone up to 2.8. Table 3 shows the distribution of the (normalized) betweenness.

In 1976, more than 32 percent of the inner circle had a very low betweenness (smaller or equal to 0.1). By the mid-1990s, only 21 percent had such a low betweenness, and this figure continued to drop 15 percent by 2001. In 2001, over 22 percent of the inner circle scored high on betweenness (larger than 1.5), compared to about 12 percent in 1976 and 1996. The meeting network of the inner circle had become the realm of brokers.

**The Core of the Network**

When a director comes to meet a fellow board member on more than one board, the nature of their relationships changes. They are no longer colleagues at a specific firm, but both key members of the corporate elite. These multiple meetings are much different from ‘ordinary’ meetings; they are foundational in creating a group-wide identity. In addition, big
linkers tend to function as *éminence grise* in business, and with their large supply of prestige and authority they can – especially because they do not pledge allegiance to one specific firm – create consensus within the business community. Their position in many different firms provides them with a unique position to monitor and relay information from many different sources. And as ‘grand old men’, their prestige in the business world is such that they may well represent large parts of the business community (Fennema, 1982: 95). Big linkers often become spokespersons of the corporate community. It does not come as a surprise that the two efforts to construct guidelines on the issue of corporate governance in the Netherlands were both under the leadership of big linkers. Historical research has demonstrated that these big linkers are decisive in promoting new ideas on political and economic issues, new answers to urgent problems and ways out of economic problems which confront several, if not all corporations (Baudet and Fennema, 1983; Fennema and Rhijnsburger, 2007; Nobel and Fennema, 2004). So far, our analysis shows that the corporate elite lost much of its density and eventually, much of its connectedness as well. The next question is whether this development has affected the core of the inner circle as well.

![Network Dynamics of the Dutch Business Elite](image)

**Figure 1** Multiple Meetings in the Inner Circle, Main Component in 1976
Figure 2  Multiple Meetings in the Inner Circle, Main Components in 1996

Figure 3  Multiple Meetings in the Inner Circle, Main Components in 2001
Figures 1–3 show a graphic representation of multiple meetings in three different years. During the mid-1970s, quite an extensive network of multiple contacts existed, which served as the backbone of the corporate elite network. Comparing the three networks, we see that the core of the corporate elite network, vividly present in the mid-1970s, has become much thinner by the last decade of the 20th century. By the mid-1990s, there were still a number of multiple meetings, but only one person, R. Hazelhoff (former chief executive officer of ABN AMRO), connects the network. By 2001, social closure has vanished all together, and only a few people are left in the core of the network. One woman now binds together a number of strings of connections, and without this central broker the network would be a collection of small strings. Interestingly enough, there is hardly any robustness in the configuration and composition of the core network over time. Indeed, the disintegration of the network had devastating effects on social cohesion. While the connectedness of the total meeting network remained stable until 1996, the network of multiple meetings did not. The cohesion of the core network had already suffered serious blows prior to 1996.

Notwithstanding the decline of multiple meetings, big linkers maintain their position over time. Their contribution to the board overlap network decreased slowly, as Table 4 shows. By 1996, they still accounted for 59 percent of all ties, and by 2001 this contribution had only dropped slightly (to 53.5 percent). Yet while big linkers still account for more than half of all the ties, their numbers have been in decline since the mid-1990s.

Most of the positions occupied by big linkers are on supervisory boards. Table 4 shows that during the mid-1970s and mid-1990s, about 50 percent of the big linkers had an executive position. By 2001, only two of the big linkers still held an executive position. Thus, nearly all of them are by now exclusively outside directors. The networks in Figures 4, 5 and 6 illustrate the dismantlement of this network of big linkers. A total of 16 directors were a big linker in both 1996 and 2001, which indicates some continuity in the composition of the core of the inner circle. However, social closure among the big linkers shows a drastic decline. During the mid-1970s, social closure (as measured by the average clustering coefficient) was still 0.489, by 2001 closure among the big linkers decreased to only 0.288.8

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Big Linkers</th>
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<tbody>
<tr>
<td></td>
<td>1976</td>
</tr>
<tr>
<td>Number of big linkers</td>
<td>68</td>
</tr>
<tr>
<td>Percentage of board interlocks created by big linkers</td>
<td>67.5</td>
</tr>
<tr>
<td>Number of positions of big linkers</td>
<td>344</td>
</tr>
<tr>
<td>Number of executive positions of big linkers</td>
<td>35</td>
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</tbody>
</table>
**Figure 4** Meetings of Big Linkers in Corporate Boards in 1976

**Figure 5** Meetings of Big Linkers in Corporate Boards in 1996
Conclusion

The Dutch corporate elite network has dramatically changed during the last three decades. In this article, we investigated the social cohesion of the Dutch corporate elite. The old boys’ network, as it once existed, has gone. Aristocrats hardly play a role anymore in the governance of corporations, and the social closure that was a central characteristic of the aristocratic corporate elite no longer exists. At the same time, the meeting networks of interlocking directors (the inner circle) have become less connected and thinner. Over the course of time, the cohesion of the meeting networks as well as the network of big linkers has declined and left the network without a strong core. At the beginning of the 21st century, there still exists a network through board overlap, but it has lost much of its function as a structure of social closure. The overall tendency we identify is that corporate board members have become individual power brokers, rather than of members of the collective. The meeting network ceases to be a viable coordinating system of the corporate elite. During the mid-1970s, one could still speak of a business community. There was a cohesive and strongly
connected social network of inner circle members of the corporate elite. By 2001, all that is left is a loose and fragmented meeting network. Social capital of the business community has decreased and this decrease has made way for individual brokerage in sparse networks. By 2001, the network is not well-equipped to sanction deviant behaviour and thus generate trust. Hence collective action becomes more and more difficult to organize. This decline of corporate community comes at a time when the quality of corporate governance is heavily debated, and corporate directors are at the centre of a discussion of proper norms of good behaviour. In a way, the new codes of corporate governance stipulating proper behaviour and practices now replace the unwritten norms and mores of the corporate elite. While increasing transparency, the proper implementation of these codes would benefit from a community of corporate directors upholding similar norms of good corporate governance.

To a certain extent, these findings suggest that the structure of the Dutch corporate elite is more and more in line with what one would expect in a liberal market model of capitalism. The decline of board interlock ties corresponds with a move away from a network-oriented economy characterized by structural and durable relations between corporations and their stakeholders, towards a transaction-based economy. Furthermore, our findings at least suggest the possibility of increasing convergence of these corporate governance institutions. This dynamic in the corporate elite networks stems from well before the early 1990s. As we argued earlier, the recent wave of globalization seems to have strengthened the decline of the corporate elite networks that was already taking place. An earlier study on governance network changes in Germany argued that ‘gradual changes should not be interpreted as “system changes” or “convergence” towards the Anglo-Saxon model of corporate governance’ (Heinze, 2004: 232). However, our findings suggest that incremental change does in fact result in systematic changes in the business system. It lends some support for Streeck and Thelen (2005), who have argued that gradual, incremental institutional change may indeed result in systemic changes.

The individualization of the corporate elite as suggested by the move in network architecture from closure to brokerage might be strengthened by another important development. As we saw, over the years fewer people govern the largest 250 corporations in the Netherlands. At the same time, the size of the corporation has increased tremendously, due to the concentration of business through mergers and acquisitions. As a result, those who still occupy executive board seats have control over larger corporations. The corporate elite has become smaller and is less cohesive, while at the same time the power base of individual directors has grown tremendously. All together, the corporate elite transformed from a closed and closely knit status group, to a socioeconomic elite in society which
maintains a professional meeting network. The inner circle seems to be less equipped to coordinate economic action, as well as to safeguard and defend their elite position in society.

These conclusions raise a number of subsequent questions. First, the question arises whether the corporate elite continues to meet in non-corporate domains rather than in the boardrooms. A second question concerns the societal effects of the increasing disembeddedness of the corporate elite. One might expect that the changing network structures had a substantial influence on the way in which companies are governed. A final question is whether these structural developments are unique for the Dutch business system. It is not unlikely that similar trends can be noticed in other countries as well. An analysis of the transnational network of interlocking directorates has shown that at a European level the intercorporate network has increased substantially (Carroll and Fennema, 2002), while at the global level the intercorporate network of corporate interlocks remained stable. This would suggest Europeanization rather than globalization. As corporate interlocks increasingly result from personal rather than corporate strategies, an investigation of the interpersonal network of European corporate interlockers might shed light on the question of if and how the corporate elite reconstitutes itself at an international level.

Notes

This article has benefited from numerous discussions with Robert Mokken and Bill Carroll at the Netherlands Institute for Advanced Studies (NIAS). We also appreciate the advice of Huibert Schijf. Frans Stokman was kind enough to provide us with the data that were collected in the 10-nation study on interlocking directorates (Stokman et al., 1985). We thank Froukje Demant, who so carefully read an earlier version of the manuscript, and Sjoerdje van Heerden, who helped us with finding some data that were not so easy to retrieve. Finally, we are grateful to two anonymous referees who gave us ample feedback and wrote some penetrating comments.

1. NRC Handelsblad, 28 December 2003.
2. The Central Bureau of Genealogy in the Netherlands registers membership of the aristocracy. Membership of the nobility is published in Nederland’s Adelsboek (Centraal Bureau voor Genealogie, 2001) and membership of the patriciaat is registered in Nederlands Patriciaat (Centraal Bureau voor Genealogie, 2000). In a few cases, the most recent family genealogy in Nederlands Patriciaat dated from before the birth of the corporate elite member with the same family name. In 1996, there were 15 persons for whom we cannot ascertain their status, and 16 people in 2001. Even if these people did descend from the patriciaat, they clearly did not feel compelled to confirm their status and renew their family’s genealogy in the register. There are no clear indications that the propensity for people to (renew) their listing has diminished over time. These registers are a tool for the elite to (institutionally) distinguish between new and old families.
3. Hoogenboom worked with the lists of the inner circle from Schijf (1993), and compiled information on nobility himself. One should note that due to selection criteria, the list of interlockers is longer in 1886.

4. Wilterdink (1984) found that for the corporate elite as a whole, 22 percent of all presidents, 15 percent of all interlocking directors and 11 percent of all directors were member of the aristocracy in 1976.

5. It is important to note that the mechanisms that drive network formation can stem from corporate strategy (for instance, banks unravel their corporate interlocks) as well as from personal strategies (for instance, a former executive in search of a number of interesting outside directorships). Here we are interested in the (changing) structure of the interpersonal network.

6. A fortunate position presented itself when it was possible to use the Dutch 1976 dataset on corporate interlocks that had been created by Stokman and Wasseur (Stokman and Wasseur, 1985). Annual reports served as prime source material for the information on board composition in 1996 and 2001. In addition the Financials Economische Lexicon (Delwel, 1997), REACH (Bureau van Dijk, 1996–2001) and multiple newspaper articles (particularly Het Financiele Dagblad) were used to identify the top 250 firms and an initial list of directors. In terms of eligibility, a company had to have its home base in the Netherlands. However, Dutch-based subsidiaries of foreign mother companies were also eligible if they met the size criteria. In this way, it is possible to include the effects of foreign investments. Subsidiaries of corporations that were already in the sample were excluded. Furthermore, in the Dutch corporate governance regime, a two-tier system of governance is common. As a consequence, corporations have both an executive and a supervisory board. Both tiers are represented in the network, while non-voting and advisory members have been excluded. For some of the network analysis, the software packages Ucinet (Borgatti et al., 2002) and Netdraw (Borgatti, 2002) have been used.

7. Stokman et al. (1988) report that the group of interlockers comprises 24 percent of the corporate elite in 1976, and even 26 percent by 1980 (omitted in the table). These findings are in contrast with our observations. This difference is not the result of the much larger sample size we used. Table 1 also reports the share of interlockers in the sub-selections of the top 125 and top 65 corporations for 1976 and 1996. The absence of differences between the samples indicates that the interlockers among the corporate elite are just as prone to sit on the board of smaller firms as they are for larger firms. Closer inspection of the selection criteria of Stokman et al. (1988: 191–2) suggests an explanation for this inconsistency. They chose to exclude a number of ‘deviating’ firms from the sample. In a later publication, one of the co-authors of the study reports on an extended version of the set of firms in 1984 (144 firms) (van der Knoop, 1991). For this larger set, he finds that 17 percent of the corporate elite are interlockers: a drop of 9 percent over four years.

8. Respectively, the clustering was 1.96, 2.24 and 1.62 times the expected value given a random distribution in 1976, 1996 and 2001.
References


Biographical Note: Eelke M. Heemskerk works at the Germany Institute and at the Amsterdam Institute of Advanced Labour Studies, both at the University of Amsterdam. He also works as business consultant at the Galan Group. Previously he was research fellow at the Amsterdam School for Social Science Research. Heemskerk recently published *Decline of the Corporate Community* (Amsterdam University Press, 2007).

Address: University of Amsterdam, Department of Political Science, Oudezijds Achterburgwal 237, 1012 DL Amsterdam, The Netherlands. [email: E.m.heemskerk@uva.nl]

Biographical Note: Meindert Fennema is Professor of Political Theory at the Department of Political Science at the University of Amsterdam. He studied sociology at the University of Utrecht and Political Science at the University of Amsterdam. He is author of *International Networks of Banks and Industry* (Springer, 1982), and ‘Is There a Transnational Business Community’ (with Bill Carroll, *International Sociology* 2002). His most recent publication (*Handbook of Social Capital*, Oxford University Press, 2008) is on democracy in multicultural societies.

Address: University of Amsterdam, Department of Political Science, Oudezijds Achterburgwal 237, 1012 DL Amsterdam, The Netherlands. [email: M.fennema@uva.nl]