

Assignment 5 - Silva, Alvaro Ferreira and Neves, Pedro (2014), "Business Coalitions and Segmentation Dynamics of the Portuguese Corporate Network " in Thomas David and Gerarda Westerhuis, *The Power of Corporate Networks A Comparative and Historical Perspective* , Routledge, NY-London, pp. 191-212

### Short-answer type questions (5 points)

- 1- Which features of a business structure does this method based on network analysis describe? (keep in mind that information to answer this question may be found along the paper, including on pg 205.)

1- The networks are drawn on 125 largest enterprises. Enterprises are the spots – nodes – of the network and the edges are sharing directorates. This interlocking indicate directors have a seat on boards of more than one enterprise at the same time (information made explicit on p. 205, which also tells us that the directors are mainly non-executive directors).

Interlocking of directorates can be a business strategy, regarding management control, flows of information among corporate companies and restricting competition through sharing information

### Informative questions (15 points)

- 2- *This article clearly points out four significant phases in the Portuguese business history.*

Discuss this statement by identifying the relevant vectors defining each phase (keep in mind the economic sectors that were central to networking)

a) from 1913 to the Estado Novo (1925); the network **reaches maximum integration** in every indicator; the central companies operated in colonial business, in transport and tobacco. The main component (largest set of connected enterprises) included banks as "linker" companies – meaning that central companies, financed through credit, seat non-executive administrators on their directorates.

b) The network during the Estado Novo( 1925-1975): **decreasing cohesion** (p. 199) as a result of less number of ties. The number of central, or connecting, companies also decreased (p199 last paragraph). The colonial companies lost their importance; companies connected are ever more tied within closed groups (p. 202 – "network integration and

cohesion decreased, the cluster of interconnected firms became more exclusive, more entrenched) – which signalizes the logics that made up strong economic groups: self-governing and non-sharing management and business information. In this period the economic sector that gave place to “bridging companies” is electricity (p. 204 second paragraph)

c) the period after the revolution until 1985 (1975-1985) is when **nationalization** dismantled the network. State enterprising did not exploit interlocking directorates, so it seems there was no network at all. This indicates how the revolutionary period of nationalizations altered radically the business institutional framework.

d) the period after the 1986 is the phase of reconstructing a network, because **privatization** enabled the interlocking strategy again. Now the banking system plays a key role (p207); the network displays increasing similarities to those observed in the beginning of the 20<sup>th</sup> century.

### 3- Which are the main forces affecting networks' alterations? Justify your answer.

a) political regulation – i.e, the economic policies are major factors in shaping business strategies – justification and evidence of this can be elaborated regarding differences between the period of the first republican regime (until 1925) and Estado Novo; or choosing Estado Novo and then comparing it with the impact of nationalization.

b) International context –i.e, Portugal's integration in the international markets also can have some impact. Authors claim that colonial enterprises are central in the first republic, which is likely to sign the increasing role of Africa during the first republican regime. On the other hand, low levels of integration in international capital flows explains why the decade of 1930 is not particularly visible in any changes networks' configurations.

### 4- The economic and political context after 1974 led the authors to stretch the argument by saying (page 206): “*The analysis of the interlocking directorates network in 1983 faces a virtually nonexistent object*” . Why is the period from 1974 to 1985 so clearly different in the history of Portuguese enterprising?

Nationalization did not give rise to interlocking. The reasons authors point out are: 1- short lived period, 2- but also politicized economy: which made the interlocking strategy useless; political parties were the recruiting area of directors and ministry bureaucracy was the locus of sharing. Information.