

# **The Transnational Corporate Elite: Evidence from the 2006 *Global Fortune 500***

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# Globalization and TNCs

- Debates continue about globalization, but virtually everyone agrees that transnational corporations (TNCs) are central to the process.
- The sociological study of TNCs is therefore critical to any understanding of contemporary globalization.

# Corporations and Democracy

- Corporations are vehicles for the accumulation of wealth and power by and for the people who own and control them.
- There is much evidence to suggest that the corporate power can, and often does, undermine or subvert democracy (Mills; Domhoff).

# Global Elite and Democracy I

- The possible emergence of a transnational elite raises important questions about the efficacy of global democracy in the face of transnational corporate power.
- The decisions made by this elite group of manager/capitalists can have life or death consequences for billions of workers, consumers and citizens, and yet the people who run these TNCs are largely unaccountable to the world's people.

# Global Elite and Democracy II

- To the extent that TNCs are:
- able to escape or avoid what democratic control can be brought to bear on them via the laws and policies of nation-states, and/or
- in the absence of transnational institutions capable of enforcing democratic will
- the people of the world will be left have to defend themselves against an increasingly wealthy, powerful, and sometimes heavily armed, global ruling class (Robinson, Sklair, Van Appeldoorn, Faux).

# An Emergent Global Elite?

- The specter of a global ruling class haunts global democrats, so it is critical to determine if our fears are justified through empirical research on TNCs and the people who own and control them.
- At present it is very much an open question whether any transnational, let alone truly global, ruling class exists or is in the process of forming.

# Purpose of Research Program

- Gather data needed to evaluate the claim that transnational corporate/capitalist classes exist or are forming, and
- Identify the global corporate elite that would likely be involved in leading the formation of any such transnational capitalist class.

# Data

- Previously I used the UNCTAD list of the top 100 non-financial and top 50 financial transnational corporations.
- In my current research I use the corporations that comprise the *Fortune Global 500* for 2006 (FG500).



# Research on the Global Elite

- The corporate community has been a central focus in studies of national elites (Mills, Domhoff)
- Corporate interlocks and the multinational composition of corporate boards have been used to search for evidence of a global corporate/capitalist class (Fennema, Carroll, Kentor, Nollert, Staples, Van Veen).

# Assumptions

- I do not assume that top corporate executives do or would constitute the entire global elite.
- I only assume that if a global corporate/capitalist elite is emerging, or ever does emerge, the executives who run the world's largest TNCs are or will be important to it.

# Assumptions

- The directors and corporations that are more connected to or integral to the network are more powerful within the corporate community
- The connections created among corporations and directors contribute to class solidarity and cohesion.

# Present Paper

- Provide an overview of latest findings on:
  - The ratio of national/transnational director interlocks—
  - The national, regional, and global distribution of these interlocks
  - The multinational composition of *FG500* boards.
  - Identify the companies and individuals at the heart of whatever global corporate elite can be said to exist.

# Findings: The *FG500*

- The FG500 companies and directors are concentrated in the “triad” of Europe, the Americas, and Australasia, with the United States, Japan, Britain, France, and Germany together accounting for 70% of the companies on the GF500.
- These corporations and the directors who run them are headquartered in or are citizens of only 42 of the world’s 190+ nations.
- Control over the world’s largest economic assets is concentrated in the hands of a relatively few nations, nationalities, and companies.

# Findings: Interlocks

- Of the 6,632 director names, 5,095 appear only once, meaning that these individuals serve on only one board within the *FG500*.
- The remaining 1,537 directors, or director positions, are occupied by 659 individuals, and together these individuals create 1,201 Company A to Company B links, or interlocks.
- The 659 linkers come from an even more select group of nations, with only 21 nations accounting for all 659 linkers, and the United States alone accounting for 47% of the total.

# Findings: Transnational Links

- Of these 1,201 company A to company B links, 319, or 26.6%, connect companies headquartered in different countries.
- Most (95%) of the linked companies are concentrated in either Europe or the Americas.
- European companies are more than twice as likely (36.8% versus 15.6%) to be involved in transnational linkages than companies headquartered in the Americas.

# Findings: The U.S.

- The United States has the largest number of companies in the GF500 (170), the largest number of directors (2,070), the largest number of linkers (310), the largest number of female linkers (57), and the largest number of linked companies (994)
- Yet, the United States ranks quite low in its proportion of linked companies involved in transnational links (130/992), at 13.1%. Only India, with at 6.7%, and Japan at 12.7% rank lower than the U.S.



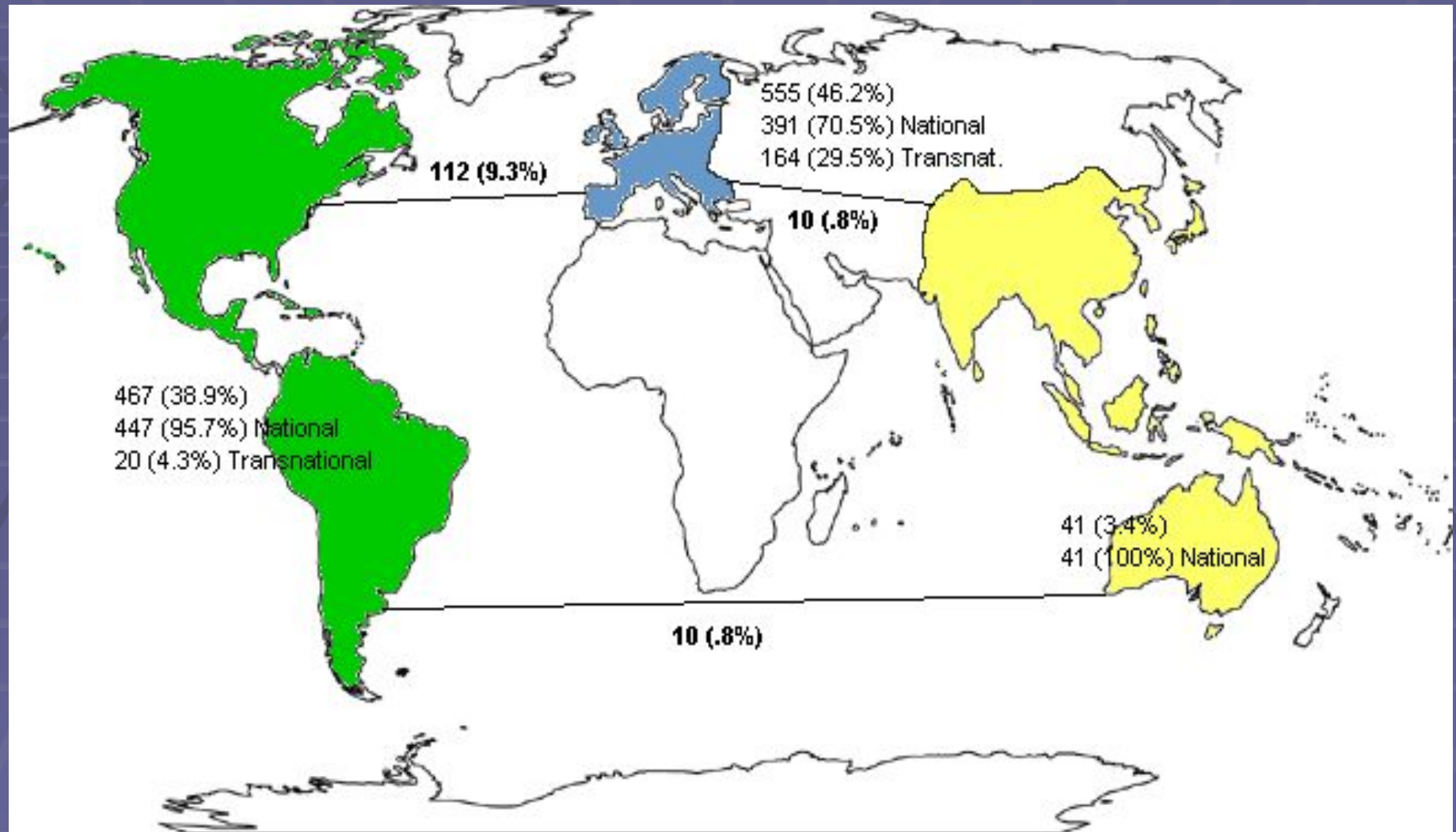
# Findings: Companies

- Most of the companies (370/498 or 74.3%) are connected to each other and so part of the network.
- But only 219 corporations are involved in transnational interlocks.

# Findings: Europe

- Most (89.1%) of the *GF500* transnational links occur within Europe or involve European companies.

## World Distribution of Corporate Interlocks



# Findings: Board Globalization I

- Of the 6,632 directors, we find that 754, or 11.4%, were “foreigners” on the boards on which they served.
  - Example: Harald Arnkvaern, a Norwegian, was found to serve on the board of the Swedish firm, Nordea Bank
  - Example: Kevin M. Murai, from Canada, serves on the board of Ingram Micro, headquartered in the United States.
- Because of board interlocks one individual might create both “foreign” and “non-foreign” connections.
  - Example: Francis Mayer serves on three boards within the *FG500*, two French (Groupe Caisse d'Épargne; Veolia Environment), and one Belgian (Dexia Group). Only his board membership on Dexia counts as a “foreign” board membership.

# Findings: Board Globalization II

- 50.6% of the *FG500* have at least one “foreigner,” on board.
- The number of different nationalities represented on the board ranges from 1 to 8, with an average of 2.06.
- Multinational corporate boards are highly concentrated within Europe.

# Findings: Globalized Boards in Europe

**Table 6**  
**Cross-Tabulation of Region of World Economy in Which Company is Located by**  
**Multinationality of Company Board**

Region of World Economy \* Number of countries on board ordinal Crosstabulation

			Number of countries on board ordinal			Total
			One nationality on Board	Two nationalities on Board	3+ nationalities on Board	
Region of World Economy	Europe	Count	44	36	96	176
		% within Region of World Economy	25.0%	20.5%	54.5%	100.0%
	Americas	Count	101	56	37	194
		% within Region of World Economy	52.1%	28.9%	19.1%	100.0%
	Australasia	Count	101	13	7	121
		% within Region of World Economy	83.5%	10.7%	5.8%	100.0%
Total	Count	246	105	140	491	
	% within Region of World Economy	50.1%	21.4%	28.5%	100.0%	

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# Summary

- The findings are consistent with previous research showing relatively low levels of transnational interlocking and board globalization worldwide.
- To the extent that transnational interlocks and board globalization are occurring, they are occurring in Europe.
- No matter which way one looks at the findings, *European countries, companies, and directors seem to be most heavily involved in whatever corporate globalization is occurring within the GF500.*

# The Global Power Elite

- There are 48 individuals (of the 659 linkers) who are involved in both national and transnational interlocks.
- 70.8% are from Europe and 29.2% are from the Americas.



# Who They Are

**Table 9**  
**Individual Directors Involved in National and Transnational Interlocks**

<b>Name</b>	<b>Country</b>	<b>National</b>	<b>Transnational</b>	<b>Total</b>
Cromme, Gerhard	Germany	13	15	28
Schweitzer, Louis	France	10	18	28
Gonzalez, Claudio X.	Mexico	3	7	10
van Miert, Karel	Belgium	1	9	10
Zunwinkel, Klaus	Germany	7	3	10
Bischoff, Manfred	Germany	1	5	6
Brabeck-Letmathe, Peter	Austria	3	3	6
Carron, Rene	France	3	3	6
Dormann, Jurgen	Germany	1	5	6
Fischer, Thomas R.	Germany	4	2	6
Fourtou, Jean-Rene	France	3	3	6
Kleinfeld, Klaus	Germany	2	4	6
Krapek, Karl J.	United States	3	3	6
Lauvergeon, Anne	France	3	3	6
Milberg, Joachim	Germany	3	3	6
Thornton, John L.	United States	3	3	6
van den Bergh, Maarten A.	Netherlands	2	4	6
Wallenberg, Marcus	Sweden	1	5	6
Bernard, Daniel	France	1	2	3
Browne, E. John P.	Great Britain	1	2	3
Bryan, John H.	United States	1	2	3
Buchanan, John	Great Britain	1	2	3
Burgmans, Antony M.	Netherlands	1	2	3
Chase, Rodney Frank	Great Britain	1	2	3
Coombe, John D.	Great Britain	1	2	3
de Sole, Domenico	Italy	1	2	3
Deily, Linnet F.	United States	1	2	3
Desmarais, Jr. Paul	Canada	1	2	3
George, William W.	United States	1	2	3
Henney, Jane E.	United States	1	2	3
Julius, DeAnne (dual US-UK)	United States	1	2	3
Kelly, Arthur L.	United States	1	2	3
Lehner, Ulrich	Germany	1	2	3
Levy, Shemaya	France	1	2	3
Markl, Hubert	Germany	1	2	3
Massey, Walter E.	United States	1	2	3
Mayer, Francis	France	1	2	3
McCoy, John B.	United States	1	2	3
Moody-Stuart, Mark	Great Britain	1	2	3
Nicolaisen, Donald T.	United States	1	2	3
Pinault, François-Henri	France	1	2	3
Ploix, Hélène	France	1	2	3
Prosser, Ian	Great Britain	1	2	3
Schinzler, Hans-Juergen	Germany	1	2	3
Sprieser, Judith A.	United States	1	2	3
Treschow, Michael	Sweden	1	2	3
Vandevelde, Luc	France	1	2	3
Weiss, Heinrich	Germany	1	2	3

# Who They Are

- These are some of the most well-known names in global business, particularly European business.
- Many of these individuals are regularly listed among the world's wealthiest people, routinely serve in high government posts, and can usually be found each January at the swankiest parties in Davos.

### Companies Involved in Both National and Transnational Interlo

<b>Company</b>	<b>Rank in top 50 national links</b>	<b>Rank in top 50 transnational links</b>	<b>Mean rank</b>
BNP Paribas	1	3	2
AstraZeneca	7	2	5
Suez	4	6	5
BP	8	7	8
DaimlerChrysler	12	8	10
Saint-Gobain	10	13	12
Royal Philips Electronics	25	1	13
Allianz	2	25	14
L'Oréal	14	14	14
Renault	21	10	16
Deere	13	19	16
Munich Re Group	15	20	18
Royal Dutch/Shell Group	35	4	20
Alcatel-Lucent	37	5	21
Bayer	3	39	21
RWE	16	26	21
E.ON	6	40	23
Intl. Business Machines	20	27	24
Lufthansa Group	9	41	25
Siemens	22	28	25
Sanofi-Aventis	36	15	26
Veolia Environnement	18	42	30
General Electric	19	43	31
BMW	29	44	37
Vivendi	46	29	38
Deutsche Telekom	31	45	38
Metro	33	46	40
PepsiCo	34	47	41
Alcoa	38	48	43
Goldman Sachs Group	41	49	45

# The Top Corporations

- There are 30 companies that rank within the top 50 in both national and transnational interlocks.
- Most of these companies are household names and all but a few US companies are headquartered in Europe.
- All 30 companies can be found on the list of companies that connect the top 48 most-connected directors.
- Thus, to the extent that a Transnational Corporate/Capitalist Class—or at least the elite fraction of that class—can be said to exist, its core is to be found in these individuals and companies.

# Summary and Conclusions I

- We have understood for a long time that corporate power hobbles democracy. But we also know that nominally democratic governments have, at times, provided a significant level of resistance against corporate power run amok.
- Thus, the possible emergence of transnational corporate power—power in the form of a corporate elite acting on behalf of a transnationalizing capitalist class—is worrying to those of us interested in conserving and expanding democratic alternatives to corporate power.

# Summary and Conclusions II

- To this point my efforts have been devoted to answering some basic questions about who might be involved in a transnational corporate elite, how this elite relates to the class it represents, and how it acts in relation to the class it seeks to dominate.
- Thus far the results suggest that the level of global corporate elite integration is relatively low—at least when measured by corporate interlocks and board globalization—but that it does exist and so is certainly worth monitoring.
- At the same time, the research also suggests whatever transnational corporate elite formation is occurring is highly concentrated among European countries, corporations, and individuals. Indeed, to this point what we seem to be studying is not a transnational corporate elite, but largely a *European* transnational elite. Global corporate elite formation might be better thought of as economic regionalization, and European-ization in particular.

# Summary and Conclusions III

- As has been suggested, monitoring and studying the European corporate elite—perhaps beginning with the 50 individuals and 30 or so corporations identified in the present research—is important because we can see how these people relate to each other, to the broader capitalist class whose interests they are presumably advancing, but also how they behave toward both European states and to the European working-class—the class that has most to lose as a result of an increase in trans-European corporate power and a consequent decline in European democracy. There is much work to be done by those scholars specifically interested in global corporate power in Europe.
- While it's evident that most of the “transnational action,” is currently centered in Europe, we should not confine our focus exclusively to Europe.



# Summary and Conclusions IV

- Given that we do observe some trans-regional links between the Europeans and the Americans, it's quite likely that any truly global corporate interlocks beyond the level that currently exists are likely to emerge in and around this trans-regional network.
- Given the relatively high levels of corporate interlocks within the U.S., coupled with relatively low level of transnational interlocks on the part of U.S. companies and citizens,
- I think it might be particularly important to also focus on any tendencies for the U.S. network to transnationalize. Given the large numbers of U.S. companies and citizens at the apex of the global economy, such a shift would be a significant development indeed.