Small World Sweden: The Importance of Corporate Networks” is part of the international project “Small Worlds in Comparative Perspective, lead by Bruce Kogut (Columbia University, US), which studies models of network affiliation and the logic behind these. The purpose of the Swedish part of this project is to study Sweden’s corporate governance system in terms of owner and director networks, mainly with the use of a small worlds method and network analyses, as well as the causes and consequences of such a system. These purposes have remained the same from project application throughout the project.

THREE MOST IMPORTANT RESULTS

One important result regards the Swedish corporate governance system in relation to the geographically and normatively close Scandinavian ones. In Sinani, Stafsudd, Thomsen, Edling & Randøy (2008), we refute the common perception of the Scandinavian corporate governance systems being so similar as to be the same. Our comparison reveals that there are strong similarities in terms of law enforcement, political stability, government effectiveness, rule of law, control of corruption and voice and accountability. However, there are large differences in formal board and ownership structures. Despite this, all Scandinavian countries may be termed small countries in having tightly connected owner and board networks; much more so than would be expected to occur by chance. Sweden is, however, clearly the smallest world – that is the most tightly connected. Continuing this investigation in the context of the international project “Small Worlds in Comparative Perspective”, we find in Edling, Hobdari, Randøy, Stafsudd, & Thomsen (forthcoming) that the Scandinavian board networks are similarly and positively related to diversity in gender and nationality, age, board size and firm size. Analysis shows that well-connected boards are more diverse rather than the other way around.

Secondly, I focus on both antecedents and consequences of the Swedish corporate governance system in Stafsudd (2009). The history of the Swedish corporate governance is first introduced, after which I follow up on the finding that Sweden is the smallest of the Scandinavian countries and continue to find it the smallest of the European countries (with the exception of Germany) and the US. I argue that this may explain why the Swedish stock market is so vital compared to other European countries; being almost on a par with the UK and US stock markets. This is contrary to the hypothesis by La Porta, Lopez-de-Silanes, Shleifer & Vishny (1998) that the Anglo-American system is most beneficial. Instead, I introduce the importance of trust and social control, which may be exerted through such tight corporate networks as those of Sweden. Thus, the importance of the institutional context is highlighted and a rare systematic comparison of national
networks and effects is made, showing the previously suggested importance of owner networks (Agnblad, Berglöf, Högfeldt & Svancar, 2001; Collin, 1998).

Thirdly, in Jonnergård and Stafsudd (forthcoming), we focus on network consequences in a longitudinal study of the relationship between board composition as well as networks and board work in terms of activity and involvement. We find that board activity as well as involvement has increased 1994-2004, suggesting the importance of institutional theory, which is used in the article. Doing so, we find that board composition in the form of gender diversity is positively related to board activity (especially policy-making) and involvement, i.e. the more women on boards, the greater the range of activities and the higher the involvement. No such relation for non-Swedish directors is found. Board networks are also related to board work in that centrality in the corporate network is negatively related to board activities and involvement, whereas board interlocks, i.e. if boards are connected with each other through a director sitting on both of them, are positively related to board work. These effects could be explained by the Anglo-American corporate governance ideal spreading throughout the Swedish corporate network, as this is well in line with increased board activities and involvement, while such a trend tend not to be followed by the most central, or powerful, in the corporate network.

NEWLY GENERATED RESEARCH QUESTIONS
One issue concerns how national business networks arise. Although this is tentatively addressed in Stafsudd (2009), a more thorough analysis is possible with the use of ownership data from “Owners and Power in Sweden’s Listed Companies” 1986-2010. After gathering this data, I will write an article on how the Swedish business network has changed in terms of owner types. It will be especially interesting to see what changes in the Swedish networks have occurred with the entry of foreign owners on the Swedish market and the increase of institutional ones. Funding for further network analysis will be applied for.

Another issue regards the impact of the Swedish owner and board networks on what boards and top management do and of what individuals they are comprised. We touched on this in Jonnergård & Stafsudd (forthcoming), but will treat the issue more extensively in a book currently being written. Eight surveys in 1994, 1999, 2004 and 2009 (the last funded by Handelsbanken Research Foundations in 2009) to listed Swedish companies’ board directors and top managers form the background for a description of the Swedish corporate governance system, owner and board networks, boards of directors, top managers as well as tentatively what impact they have on each other.

Finally, the writing of Stafsudd (2009) lead to my being invited by William Q. Judge (Old Dominion University, US), editor of the most highly ranked corporate governance journal Corporate Governance: An International Review to join him in writing a comparative
article on the current US crisis with the 1990’s crises in Japan and Sweden as a historical and contextual backdrop. Christina Ahmadjian (Hitotsubashi University, Japan) project member of “Small Worlds in Comparative Perspective” joined us later. Judge, Stafsudd & Ahmadjian (2010) is under review at Corporate Governance: An International Review and will be presented at the Global Financial Crisis Conference at Wharton School in Philadelphia, US, in September 2010.

TWO MOST IMPORTANT PUBLICATIONS
The most important publication is: Stafsudd, A., 2009, Corporate Networks as Informal Governance Mechanisms: A Small Worlds Approach to Sweden, Corporate Governance: An International Review, 17(1): 62-76. This article is published in the highest ranked corporate governance journal, generally regarded as a top one (impact factor 2.068). As described above in results, this article is based on the results of Sinani, Stafsudd, Thomsen, Edling & Randøy (2008) regarding Sweden’s dense networks, compared to other countries (with the exception of Germany’s owner network). The article makes a contribution in emphasizing the institutional context as well as the importance of informal, social, control in a corporate governance system, showing that dense networks may complement formal governance mechanisms in promoting investor behavior as shown by the comparatively large and active Swedish stock market.

The second most important publication is: Jonnergård, K. & Stafsudd, A., forthcoming and published on-line, The Making of Active Boards in Swedish public companies. Journal of Management and Governance. This article is published in one of the two leading corporate governance journals and analyzes the impact of board composition and networks on board activity and involvement. The article makes a contribution in showing the usefulness of institutional theory in explaining board work. Furthermore, board relations and position are related to what boards do in that highly connected boards tend to have greater range of activities as well as involvement, whereas centrality in the network is negatively related to board work. As described above in results, this suggests a continued diffusion of Anglo-American norms regarding board work, but also an impact of central, strong and perhaps more conservative owners resisting such influence.

Publications:
Publications:


Conference papers:


