Public enterprises go to the stock market. Interlocking directorates and governance in Italy

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0. Summary

1. The empirical problem: Changing governance of former public enterprises (in Italy)
2. "Measuring governance" through SNA
3. Empirics and patterns of transformation
4. Directions of research
5. Conclusions

1.1 The empirical problem: Changing governance of former public enterprises

- The privatization of public enterprises as complex change affecting economic & political dimensions.
  - Regulatory State and the market, but State and local governments remain as shareholders.
  - Italian utilities enter the Stock market.
  - → Environmental change and interlocking directorates [Mizruchi 1996]: did governance of former public enterprises change? Did they converge towards a common model?
- Analytical dimension:
  - Embeddedness of individuals inside firms, composition of Board of Directors (BoD) and Interlocking Directorates (ID).

1.2 Studying internal governance: embeddednes and SNA

- Relations as information resources [Granovetter 1973].
- Towards more specific research questions:
  - Is there any change in the composition of BoD and in ID in former public enterprises? Can distinct patterns of governance be identified?
- Social Network Analysis (SNA):
  - At individual level
  - At organizational level (aggregation of individual resources within a firm)

1.3 Changing governance of former public enterprises. Italy as a case.

- Why Italy?
  - Large privatizations
  - Ambiguous role of the State
- How to do that?
  - Analysis of BoD of companies listed in the Italian Stock Exchange market (CONSOB data).
  - 4 years: 2000, 2005, 2010, 2012
  - Focusing on a sub-set of companies:
    - Former national-owned: ENI spa, ENEL spa, FINMECCANICA spa, TELECOM spa, SNAM spa, TERNA spa, *ITALGAS spa.*
    - Former local-owned: A2A spa, ACEA spa, HERA spa, IREN spa, *AEM spa, ASM spa, META spa, AEMT spa, AMGA spa.*

2. Governance through SNA: network and measures of centrality

- **Degree**, which refers to the number of connections of a given individual or node in the network [Sum, mean, Sd values].
- **Brokers:** actors bridging together different sub-sectors of the networks, thus playing a key role in the control and diffusion of information
- **Gatekeepers:** a specific type of brokers, gatekeepers are the individuals bridging togheter different groups of nodes.
  - Sum at network level
  - Sum at firms' level in our subset

2.1 Governance through SNA: the network

	Degree (mean)	Degree (standard deviation)	Brokers (n.)	Brokers per firm	Gatekeepers (n.)
2000	12,9	9,5	323	1,23	15
2005	13,5	9,8	359	1,34	48
2010	12,7	8,8	311	1,14	57
2012	12,9	8,4	231	0,97	28

3.1 Governance through SNA: features of change in sampled former public enterprises

- Patterns of convergence?
  - Mean degree:
    - High and unstable for former "national" public enterprises; low and stable for former"local":
    - → No similar patterns of connection in former public enterprises as a whole.
  - Number of brokers:
    - Variation among "national" and "local" companies
    - Decreasing number of gatekeepers in "local" utilities from 2005 on.
    - → Directors at crossroads, but no clear pattern of variation.

3.2 What affect governance patterns?

- Stability and change in former National-owned enterprises:
  - Es. Telecom Italia spa vs Finmeccanica spa.

→ Different adaptation to specific market sectors

- Stability in former Local-owned enterprises:
  - Es. Hera spa
  - Es. A2A spa

→ Shareholding structure.

→ Organizational legacies.

→ Relation with local economic structure and stakeholders.

3.3 Empirics: Centrality in sampled firms

	2000			2005			2010			2012		
	Degree (Sum per firm)	Degree (mean per firm)	Degree (SD per firm)	Degree (Sum per firm)	Degree (mean per firm)	Degree (SD per firm)	Degree (Sum per firm)	Degree (mean per firm)	Degree (SD per firm)	Degree (Sum per firm)	Degree (mean per firm)	Degree (SD per firm)
A2A	na	na	na	na	na	na	621	27	8	610	26,5	9,9
ACE	79	13,2	16,0	160	17,8	13,6	130	14,4	14,6	132	14,7	10,4
AEM	67	8,4	3,9	120	13,3	9,9	na	na	na	na	na	na
AMGA	42	6	0,0	116	16,6	12,9	na	na	na	na	na	na
AEMT	na	na	na	42	6	0	na	na	na	na	na	na
ASM	na	na	na	189	23,6	23,2	na	na	na	na	na	na
ENEL	83	11,9	10,3	117	13,0	8,0	108	12,0	12	98	10,9	5,8
ENI	158	17,6	16,2	181	20,1	16,1	193	21,4	13,2	125	13,9	7,1
FNC	253	21,1	12,4	51	10,2	8,7	183	15,3	8,6	166	13,8	5,3
HER	na	na	na	244	17,4	9,2	354	19,7	6,9	312	17,3	1,4
IRE	na	na	na	na	na	na	222	18,50	14,7	236	18,2	11,1
IGAS	260	16,25	2,7	na	na	na	na	na	na	na	na	na
META	na	na	na	90	10	6	na	na	na	na	na	na
SRG	na	na	na	70	8,8	3,2	80	8,9	2,7	107	11,9	8,2
TIT	367	28,2	24,8	821	41,1	21,2	414	27,60	18,8	361	24,1	13,8
TRN	na	na	na	105	10,5	3,2	119	13,2	11,4	133	14,8	11,3

3.4 Empirics: Brokerage in network and in sampled firms

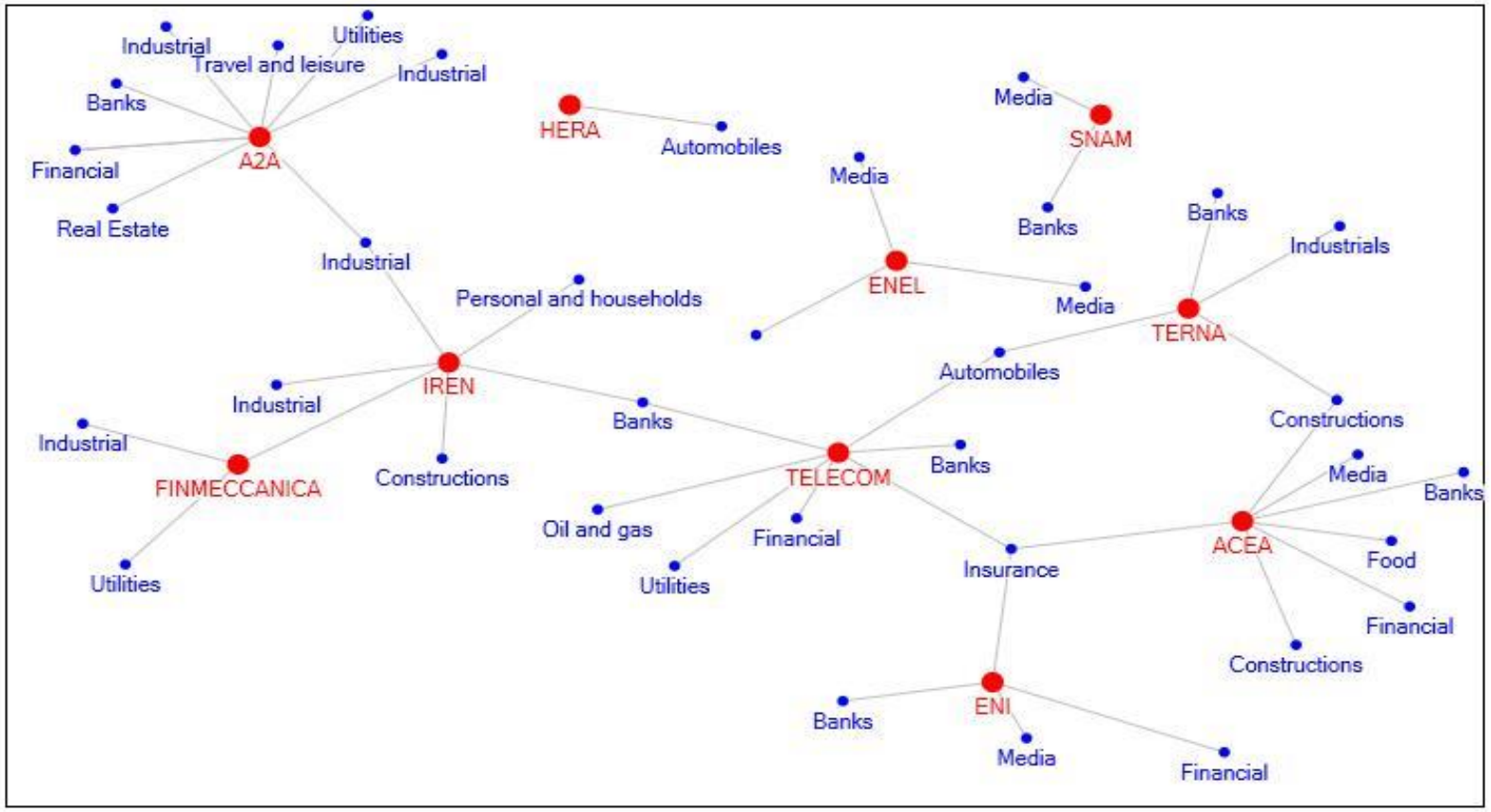
A.4 Brokerage in network and in sampled firms

	2000		2005		2010		2012	
	Brokers (n)	*of whom gatekeepers (n)*	Brokers (n)	*of whom gatekeepers (n)*	Brokers (n)	*of whom gatekeepers (n)*	Brokers (n)	*of whom gatekeepers (n)*
Network	**323**	**15**	**359**	**48**	**311**	**57**	**231**	**28**
A2A	na	na	na	na	8	4	5	5
ACE	2	1	4	4	2	1	3	0
AEM	1	0	3	0	na	na	na	na
AMGA	0	0	4	0	na	na	na	na
AEMT	na	na	3	2	na	na	na	na
ASM	na	na	0	0	na	na	na	na
ENEL	2	0	3	0	1	0	2	0
ENI	3	2	5	0	6	0	4	0
FNC	7	1	2	0	3	0	3	0
HER	na	na	3	0	3	0	1	0
IRE	na	na	na	na	4	1	4	2
IGAS	3	1	na	na	na	na	na	na
META	na	na	1	0	na	na	na	na
SRG	na	na	2	0	1	0	2	0
TIT	6	1	15	5	7	1	6	0
TRN	na	na	2	0	2	0	3	0
Total sampling ex public	***24***	***6***	***47***	***11***	***37***	***7***	***33***	***7***

3.5 ID per sector, year 2012

	Total Interlocks by Sector	N. Firms by Sector	N. Interlocks by Sector (mean)
Oil and gas	16	6	2,7
Chemicals	3	3	1
Basic resources	16	2	8
Constructions	105	11	9,5
Industrials	152	35	4,3
Automobiles	76	9	8,4
Food	14	10	1,4
Personal and Households	62	29	2,1
Health	9	7	1,3
Retail	1	4	0,3
Media	94	15	6,3
Travel and leisure	28	8	3,5
Telecommunications	9	3	3
Utilities	62	18	3,4
Banks	96	20	4,8
Insurance	39	8	4,9
Real Estate	52	11	4,7
Financial	89	19	4,7
Technology	29	19	1,5
Total (network)	952	237	4,0

3.9 ID in former public enterprises, year 2012



3.6 ID per sectors: legacies and resource dependence

- TELECOM and FINMECCANICA: again divergent patterns.
- The other two former national champions ENEL and ENI show similar patterns of sector interlocks; in particular, both are connected to firms in the media sector.
- Links with local political economies: the ID of ACEA, A2A and IREN.

4. Directions of research

1. Empirics:
   A. Temporal extension to all available years: increasing variance.
   B. Add to the sample to all former public enterprises and cover variations among policy sectors and between regulated and non regulated markets.
   C. Beyond this dataset: Extending transnationally.
2. Theory
   A. Advancements on literature on policy networks
   B. Understanding intra-organizational power

5. Conclusions

- A snapshot: Divergence in convergence?
- Unpacking national models
- Shareholding structure, policy sector features and corporate strategies.