

Project Summary

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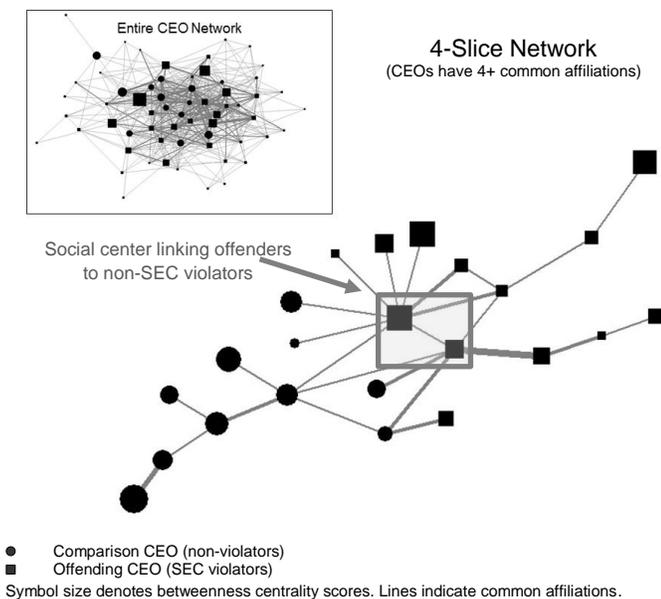
Study

Corporate executives, especially CEOs of Fortune 500 companies, are typically considered an influential and elite group of business people. Some, however, have used their positions to influence business dealings illegally, resulting in violations of federal Securities and Exchange Commission laws that were written to keep the economy stable.

We investigated the connections among all CEOs of Fortune 500 companies with Securities Exchange Commission (SEC) violations 2000-2006 (39 people in total) compared to 30 matched counterparts.

Individuals and companies holding the network together are identified with a measure of centrality (betweenness). Figure 1 illustrates the magnitude of the overlap among CEOs.

Figure 1. Overlapping Social Circles – CEO interlock



Findings

1. SEC violators and their contemporaries co-exist within a *single network* formed by overlapping social circles.
2. A small group of SEC Violators hold central positions in the network, controlling information flow to non-violators and others. They are connected by 4+ common affiliations.
3. Core CEOs that violated SEC regulations tended to run banking/ financial firms and a greater number of non-violators run pharmaceutical companies.
4. While some organizations connected only violators or non-violating CEOs, a small number of associations are positioned to broker information for *both groups* of CEOs (see Table 1).

Table 1. Most Central Associations for Both Groups

Rank	Organization
1	The Business Council
2	Harvard
3	Nat. Rep. Congressional Com.
4	The Business Roundtable
5	Army
6	Financial Services Roundtable
7	United Way

Implications

This study examined the likely relationships among CEOs associated with SEC violations and their non-offending counterparts. Since the research used affiliation networks, we investigated links between people and among organizations. Looking at such complex interpersonal and inter-organizational relationships provides another method of tracing how influence is spread. Since we can identify people *and organizations* that are pivotal in the diffusion of deviant ideas and practices, this supports the development of intelligent, targeted efforts to enhance regulations and curb actions that could threaten economic stability.