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Resources or Power? Implications of Social Networks on Compensation and Firm Performance

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Abstract

Using a sample of 4,278 listed UK firms, we construct a social network of directorship-interlocks that comprises 31,495 directors. We use social capital theory and techniques developed in social network analysis to measure a director's connectedness and investigate whether this connectedness is associated with their compensation level and their firm's overall performance. We find connectedness is positively associated with compensation and with the firm's future performance. The results do not support the view that executive and outside directors use their connections to rent extract. Rather the company compensates these individuals for the resources these better connections provide to the firm.

Keywords: [Power and Influence](#); [Social and Collaborative Networks](#); [Compensation and Benefits](#); [Performance](#); [Relationships](#); [Resource Allocation](#); [United Kingdom](#);

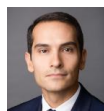
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