The hierarchically nested set of business groups that result from 110 Mexican firms sharing corporate directors (i.e. interlocking directors) is analysed using social network tools. It is argued that these groupings are one of the many dimensions that should be employed to understand the complex nature of ‘business groups’ broadly understood. The hypothesis that business groups are responses ‘to market failures that arise in the particular institutional contexts of emerging economies’ (Khanna and Rivkin, Strategic Management Journal, 22 (2001), p. 46) is tested using the groups constructed from data on interlocking directorates. The results show that as firms belong to more of the same sets of groups, their financial performance tends to be more similar, thus supporting the idea that ‘groups can make up for under-developed institutions, thereby reducing transaction costs’ (Khanna and Yafeh, Journal of Economic Literature, 45 (2007), pp. 340â€“341).