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Changes in decision-making authority when chaebol firms grow: From the perspective of non-family managers

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I hereby declare that this dissertation is my original work
and it has been written by me in its entirety.
I have duly acknowledged all the sources of information
which have been used in this dissertation.

This dissertation has also not been submitted for any degree
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ABSTRACT

What changes do non-family managers in large family firms such as chaebols (Korean conglomerates) observe in their decision-making authority when their organizations grow? The intuitive expectation is that non-family managers' decision-making authority will grow in conjunction with the successful expansion of the business and growth of the firm.

Based on 45 in-depth semistructured interviews with non-family managers from a wide range of chaebol firms, this study analyzes how non-family managers perceive the change in their decision-making authority and the cause of this change.

The findings indicate that respondents perceive that their decision-making authority does not increase with the growth of the firm due to risk hedging, social acceptance, and socioemotional wealth preservation. As a firm grows and expands its business geographically and within the same or different business domains, top management often needs to delegate decision-making authority, as it becomes increasingly difficult to process all the information and make appropriate decisions at different levels and in various fields. However, the objectives of family-controlled firms usually concern socioemotional wealth; family control and the transfer of management rights within the family are the most important of these objectives. This fact suggests that family-controlled firms may find it challenging to delegate decision-making authority, even as they grow their organizations. Vacant promotion, or promotion without the corresponding authority, is used instead of genuine

promotion or monetary rewards, which contributes to job title inflation, decreased decision-making authority, and eventually non-family managers' perception that they all will become field managers. Conversely, respondents perceive family managers' decision-making authority as becoming fortified with the growth of the firm. Even with the misdeeds and unequal practices of family managers, non-family managers prefer family managers over non-family managers because of the benefit of family management's long-term perspective, which enables more stable business practices and job stability.

> **"South Koreans live in chaebol-built apartments; wash and dress themselves in chaebol-made and -imported products bought at chaebol-run shops; and subsist on chaebol-processed food while watching imaginary chaebol families on television."**
>
> **Se-Woong Koo, "Foreign Policy, Anger and Envy in the Chaebol Republic"**

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1. Introduction

1.1 Description of Problem to Be Studied

In this research, I investigate how non-founding family managers (hereafter referred to as "non-family managers") in South Korea's family-run conglomerates (hereafter referred to as "chaebols") perceive changes in their own decision-making authority and that of founding family managers (hereafter referred to as "family managers") when their organizations grow. I also investigate non-family managers' perspectives on family business characteristics; socioemotional wealth is found to be maintained in chaebol firms based on 45 in-depth semistructured interviews, 41 first interviews and 4 second interviews, with 41 non-family managers, including 1 CEO, 9 executives, and 31 managers of chaebol companies, and data from websites and news articles.

1.2 Motivation of the Study

In a chaebol firm, control is handed from the founder to the subsequent generations of the founding family. The current leaders of chaebols are mainly from the third generation of the founding family and are gradually being replaced by family members of the fourth generation (Choi, 2017). Family managers earn swifter promotions to management positions (Kwak, 2012, 2014) compared to non-family managers. This practice is prevalent in chaebol firms and allows family managers to keep management control within founding families.

The delegation of decision-making authority is one of the key elements involved in the management of large chaebol organizations. For family managers (principals) and non-family managers, when too much decision-making authority is delegated to agents (that is, non-family managers), the principal may face difficulty in managing the firm as he/she wishes.

I have been identified the key areas that display the changes in the decision-making authority of non-family managers, how non-family managers perceive the change in family managers' authority during the course of company growth, and how non-family managers understand chaebol companies as being managed by family managers. During my 16-year experience in chaebol firms, I encountered non-family managers perceiving that their decision-making authority has remained unchanged or even decreased as the organization has grown. However, family managers in top management positions secure and strengthen their decision-making authority (that is, their control of the firm), regardless of their management performance or even after being punished for unethical behavior. Non-family managers are forced to frequently change business positions and fields, whereas they had previously been encouraged to specialize in one role; thus, they have become generalists and are consequently more easily replaceable. Non-family managers also attempt to make sense of the inflation of business titles; i.e., CEOs do what executives used to do, and vice versa. Such inflation stems from the practice of offering promotions in name only, without a corresponding increase in decision-making authority; this practice is regarded as a necessary evil of maintaining the hierarchy. As this topic has yet to be studied, I, therefore, would like to analyze the situation.

1.3 Significance of the Study

It might seem logical that the growth of a firm and that of employees would go hand in hand; however, this has not been verified through empirical analysis, particularly within the context of chaebols. This project will be the first empirical study based on data from chaebol employees and ex-employees on changes in the decision-making authority of non-family managers and family managers and the first to analyze socioemotional wealth in chaebol firms.

The interviewees generally agree that decision-making authority remains with a small number of people, regardless of the growth of the firm. Because there is a little delegation of decision-making authority, many non-family managers have only "quasi-authority," which causes role ambiguity and leads to gray areas, reducing the organization's efficiency. Non-family managers perceive the combined ownership and control of companies as stemming from family managers' desire to maintain their socioemotional wealth: family managers thus focus on ensuring the family succession of company control, taking advantage of cross-holdings among chaebol companies, and leveraging more company control than that to which their amount of shareholdings would otherwise entitle them.

1.4 Specific Aims or Objectives

This study will analyze how chaebol firms' decision making is performed and the way in which decision-making authority is delegated to employees throughout the growth of chaebol companies. Intuitively, it might seem that when a company grows, its employees would also benefit in terms of promotions, greater decision-making authority, and more autonomy. However, this study will reveal the disjunction between common sense and actual business practice in chaebol firms.

This study will also examine the socioemotional wealth perceived by non-family managers in chaebol firms and show why chaebol firms show certain patterns, such as a succession of company control, investment decisions aimed primarily at promoting family interests, and the retainment of decision-making authority. To date, studies on socioemotional wealth have focused more on quantitative data analysis than on empirical research in business. This study is the first to examine socioemotional wealth from non-family managers' perspective and to show how socioemotional wealth affects nonbeneficiaries, that is, non-family managers. The findings offer valuable theoretical contributions to the research on socioemotional wealth and non-family managers in family-run firms. Moreover, these results might be applicable to other settings in family-run firms outside of the chaebol context, such as in Sweden, India, and South American countries, where conglomerates constitute a significant part of the national economy.

2. Literature Review

2.1 Family Firms and Socioeconomic Wealth

[Insert Table 1 Here]

Chua, Chrisman, and Sharma (1999) found that researchers in the field of family business generally agree that family members' involvement distinguishes family businesses from other types of businesses. Family-owned and family-managed businesses satisfy family businesses' definition, but other combinations of ownership and management control may also fall into this category.

Gómez-Mejía et al. (2007) introduced the concept of socioemotional wealth to identify the differences between the decision-making process in family firms and that in non-family firms. Empirical research has proven that family firms and non-family firms engage in different patterns of business practices (Berrone et al., 2010; Cruz, Gomez-Mejia, & Becerra, 2010; Gomez-Mejia, Haynes, Nunez-Nickel, & Jacobson, 2007; Gomez-Mejia, Makri, & Kintana, 2010; Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). In particular, socioemotional wealth is found only in family firms and represents "the utilities family-owners derive from the non-economic aspects of the business" (Gómez-Mejía et al., 2007). Socioemotional wealth refers to the non-financial aspects of the firm that fulfill the family owner's business goals.

Family owners prioritize non-economic assets as a source of socioemotional wealth and strive to preserve these assets, such as the unrestricted exercising of authority within firms, which helps explain why decisions that seem strange or unprofessional to outsiders might appear logical to insiders, i.e., family owners: such decisions provide non-financial benefits to family owners (Kalm & Gomez-Mejia, 2016) that are sometimes more important than financial benefits.

Socioemotional wealth involves many aspects. It involves maintaining the founding family's identity (i.e., family owners have an emotional bond with the firm (Baron, 2008) and regard it as part of their identity, especially when it bears their name (Dyer & Whetten, 2006)), and reputation (i.e., family firms tend to avoid environmental contamination to prevent potential impacts on the family and its reputation (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010)). Moreover, socioemotional wealth involves exercising family influence (i.e., family owners feel gratified when more family members join the firm (Kalm et al., 2016)) and perpetuating family ownership and the family legacy by showing conservative attitudes toward diversification while aiming to reduce potential risk (Gomez-Mejia et al., 2010) and keep family executives protected from performance review (Gomez-Mejia et al., 2011). The chances of business diversification decline as more family managers occupy key positions (Chung, 2013; Chung & Chan, 2012) and attempt to reduce the power of non-family members in top management by increasing the number of family members and relatives within the firm and in top management (Cruz, Gomez-Mejia, & Becerra, 2010). Thus, an increase in the number of family members in the firm means that socioemotional wealth becomes even more important for the firm.

Family owners want to maintain their socioemotional wealth. To satisfy this objective, they sometimes make decisions that are not in the best interest of the firm in general but are the best in terms of family owners' socioemotional wealth (Zellweger, Kellermanns, Chrisman, & Chua, 2012). Family firms are more risk-averse because they link risk to the decline in family wealth (Gómez-Mejía et al., 2011). However, family owners will face financial trouble when the firm's survival and associated socioemotional wealth are threatened. Family owners are willing to sacrifice financial returns at the expense of preserving socioemotional wealth. Thus, the risk-taking level varies depending on the risk of socioemotional wealth (Kalm et al., 2016).

2.1.1 **Conflicts of interest between stakeholders**

Yoshikawa and Rasheed (2010) found that publicly listed family firms often feature a conflict of interest between family and non-family shareholders. Managers in non-family firms aim for better financial results for the firm, whereas family managers in family firms aim both for financial results and socioemotional wealth. "Family firms are less driven by prospects that are financially lucrative but threaten socioemotional wealth" (Kalm et al., 2016). Family managers and non-family managers in family firms will have different views and interests in regard to socioeconomic wealth because non-family managers do not share the same family values and place more importance on financial outcomes. When family firms aim to diversify, they may consider hiring external talent to mitigate the lack of specialized knowledge, but family owners may regard this as potentially increasing information asymmetry and diminishing their socioemotional wealth (Kalm et al., 2016). To avoid this risk, family managers implement countermeasures, such as withholding critical authority from non-family managers, for example, by subjecting them to frequent position changes or turnover.

Chaebol companies use various measures to financially support weaker companies under the same family control, including transfer pricing and cross guarantees (Moskalev & Park, 2010). Often, these approaches have a negative financial effect on all stakeholders, except for family managers.

2.2 Definition of "Decision-making Authority."

[Insert Table 2 Here]

It is essential to carefully define the term "authority" or "decision-making authority" as used in this research. While there is no universally accepted definition of "authority," Max Weber (1956) defined it as the power to impose one's will despite resistance by others or make them engage in "voluntary submission." Simon (1951) defined authority in terms of the relationship between the "boss," who exercises the power to limit and administer, and the "worker," who must accept the determination made by the boss. Authority is distinguished from persuasion by the fact that people follow authority without the process of verifying whether it is the correct approach (Blau, 1963). Aghion and Tirole (1997) pointed out that authority is the outcome of an explicit or implicit contract that allocates the right to make decisions on specific matters to members of an organization.

In this thesis, I rely on the concepts of formal and real authority (Aghion & Tirole, 1997). Formal authority is the right to make decisions, whereas real authority effectively controls decision-making. Decision-making authority is thus used in this thesis to mean effective control over decision making in chaebol firms. Those decisions include business routines such as exercise periodical practices, whether or not to report to the superiors, contacting and making offers or suggestions to peers and customers, and using a budget for business purposes. For somewhat more critical decisions such as setting business strategy, choosing business tactics, making changes to the previously made decisions that have already been implemented during the practice, and getting business approvals to implement decisions and make it official to practice.

2.2.1 Delegation of authority

In this thesis, the delegation of authority is defined as decentralization, that is, assigning decision-making authority to a lower level in the organization (Asuyama, 2019). The delegation of authority can lead to agent problems, which can be harmful when the interests of the principal and the agent are misaligned (Asuyama, 2019). The delegation of authority is an organizational mechanism to distribute decision-making authority across hierarchies and create effective labor units (Dobrajska, Billinger, & Karim, 2015).

Aghion and Tirole (1997) proposed that information asymmetry results in the delegation of authority when a principal lacks effective control over decisions. When the principal is not sufficiently informed, authority is delegated to a subordinate to take advantage of the agent's information and facilitate his/her participation at the cost of the principal's loss of control. Colombo and Delmastro (2004) argued that the information asymmetry between superiors and field managers encourages the delegation of authority, whereas an advanced intra-firm communication platform and subsequent improved communication will discourage such delegation. Zabojnik (2002) described the delegation of authority as involving the better utilization of information held by lower levels in the hierarchy. Authority allocation is more likely to occur when managers' information is more important than that of top management, whereas it is less likely to happen when top management's information is more important than that of managers (Harris & Raviv, 2005). Moreover, authority allocation is more likely when workers operate in unfamiliar settings and when there is greater uncertainty about what field managers have to do and less likely when the firm is familiar with the situation and monitors input through field managers (Prendergast, 2002). Dessein (2002) found that principals will delegate authority to better-informed agents rather than communicating decisions to them, as long as the incentive conflict is not substantial.

2.3 Business Context in South Korea

2.3.1 Overview

In the aftermath of World War II, the Korean peninsula was divided into North Korea and South Korea. Following the Korean War (1950-1953), the South Korean economy grew rapidly. South Korea's gross domestic product (GDP) in 1960 was equivalent to USD 3.96 billion, representing .29% of the global economy. In 2017, its GDP was equivalent to USD 1,530.75 trillion, representing 1.90% of the global economy (The World Bank Data, 2018). South Korea is now the world's sixth-largest exporter (Central Intelligence Agency, 2019) and twelfth in GDP (The World Bank Data, 2019). Furthermore, South Korea is a member of the Organization for Economic Co-operation and Development (OECD) and the G20.

South Korea (henceforth referred to simply as "Korea") has many strong industries with a major share of the global market, which produce commodities such as semiconductors and mobile phones. These Korean conglomerates, or "chaebols," include Samsung, LG, SK, and Hyundai, all of which play pivotal roles in the Korean economy. In 2017, the top 10 Korean products exported were all produced by chaebol companies (Korea Customs Office, 2018). Korea's geographical proximity to China provides the country with more economic opportunities. In August 2018, Korea's business with China represented 27.1% of its exports and 19.5% of its imports, making China Korea's largest trading partner (Korea International Trade Association, 2018).

The largest companies in Korea that offer better remuneration and welfare packages have been mostly chaebol companies; the only exceptions are companies in the financial sector (as chaebols were not allowed to own or manage banks) and companies in new domains such as IT.

2.3.2 Influence of Confucianism

"[Koreans are] more Confucianist than Confucius [himself]" (Whigham, 1904, p. 185)

Confucianism has been considered the most crucial influence in Korea for many centuries. Although Confucianism officially has no direct influence on the Korean economy (Rosser & Rosser, 2016), Confucianism permeates Korean personal life and business culture (Lee. Choong Y, 2012). Confucianism is also regarded as one of the key reasons as to why East Asian countries developed faster in the 1950s and 1960s than did other developing countries, even though East Asian countries were often poorer. One example is the different economic outcomes of South Korea and Columbia between 1965 and 1985. South Korea's per-capita income was USD 150 in 1965 and USD 2,150 in 1985, while Colombia's income was USD 280 in 1965 and USD 1,320 in 1985 (Bond & Hofstede, 1988). The disparity was more significant by 2017:

USD 5,890 for Colombia and USD 28,380 for South Korea (World Bank, 2019). Based on Confucian principles, the Korean government and organizations encouraged individual sacrifice in the name of productivity (Kim & Park, 2003).

Confucianism originated in 6 BC, and it deeply permeated Korea throughout the following centuries. It is impossible to describe the Korean business culture without mentioning Confucianism. Confucianism has been the yardstick for explaining the common features of management styles in Korea (Yang, 2006) and justifying their practical application. Moreover, the critical social norm in Korea, inhwa (harmony), has its roots in Confucianism (Alston, J. P, 1989; Lee, Brett, & Park, 2012).

Confucius' main lessons are based on three bonds and five relationships. The three bonds are between sovereign and subject, father and son, and husband and wife (Son, 1995). The five relationships of husband and wife, father and son, senior and junior, sovereign and subject, and between friends involve hierarchies, degrees of asymmetry, superordination, and subordination (Bae, 1997; Dallmayer, 2003; Rosser & Rosser, 2016). Confucius' teachings about these relationships are still often quoted in present-day Korea. Among the five relationships, perhaps the relationship between elders and youth has the most dominant influence in Korea and is the most relevant in the business context. Confucianism holds that "the younger should give precedence to the elder" (Lee, 2012), which means that there should be an order in which the elders have priority, and the younger abide by their rules and respect them. Koreans learn to respect their elders from a young age. They use polite language when speaking to strangers, especially to elders. The use of the proper form of address based on social status is important in Korea. It is acceptable for foreigners who speak Korean as a second language to use the improper form of address, but native Koreans must follow linguistic and cultural without exception or be regarded as very rude. On public transportation, there are designated seats for disabled, pregnant, and elderly individuals. Young people who do not give up their seats to elderly individuals are regarded as disrespectful. Sometimes, senior citizens dispute over who has seniority and subsequently demand to know who is older. Asking for someone's age is not generally regarded as impolite in Korea because this information is necessary for behaving and speaking appropriately to others.

Superior–subordinate relationships are vital in businesses, and workers' complete subordination to superiors is supported by Confucian ethics (Kim & Park, 2003). Seniority is one of the key ways in which promotions are decided in Korean firms. Human resource management (HRM) in Korean companies strictly involves seniority. The Korean pay system is also heavily dependent on seniority. Employees' salaries, when joining a firm, are based on their educational background and experience. However, annual raises are mainly based on seniority (Base, 1997). While there is no direct translation for "gitsu" in English, it can be broadly defined as the cohort of employees who join the organization at the same time. The Korean prosecutor community is a vivid example of gitsu culture. There is a national examination that is a basic requirement for prosecutors. Those who pass the test at the same time belong to the same gitsu. The promotion of each gitsu is a very subtle matter for members of the prosecutors' organization because promotion is decided based on the consideration of gitsu. Suppose a younger or lower gitsu, who is regarded as a junior, is promoted before an older or higher gitsu. In that case, it is a sign that the older or higher gitsu is less likely to climb the promotional ladder in the organization. When someone in a gitsu is promoted to a certain level in the prosecutor's organization, such as the head of the prosecutor's office, it is common practice for all the members of the same gitsu to resign (Park, 2017). This resignation is a gesture to allow more freedom to the newly promoted person, as he/she need not be concerned about his/her own gitsu.

Conversely, this resignation is regarded negatively outside of the prosecutors' community because such a move lacks consideration for other people. Gitsu culture is based profoundly on Confucius's teachings about the difference between seniors and juniors and seniority's importance. The influence of Confucianism is evident in chaebol firms' family leadership (Rosser & Rosser, 2016), which values family-like harmony (Rosser & Rosser, 2009). Most chaebol firms remain family-controlled, have a patriarchal leader as the head of the firm, and engage in a blood-based succession of company control (Kee, 2008).

2.3.3 Korean conglomerates: Chaebols

A chaebol is defined as "a family-controlled industrial conglomerate in South Korea" (Merriam-Webster, 2019). Chaebols are categorized by the Korea Fair Trade Commission based on the total assets of chaebol-affiliated companies (Chang & Shin, 2006) and renewed yearly. Chaebols can also be defined as "gigantic Korean business groups controlled by a family or closely related families, [whose] growth [is] supported by [the] government" and "a group of large firms that operate in diverse industries, [producing] mostly unrelated products and which are owned and controlled by a founding family" (Choi, Michell, & Palihawadana, 2008). In other words, chaebols are a microcosm of

South Korean society (Albrecht, Skousen, Turnbull, & Zhang, 2010). Gul and Kealey (1999) characterized chaebols similarly on the basis of family ownership and political affiliation.

[Insert Table 3 here]

It is well known that Japan's zaibatsus in the early 20th century influenced and inspired the inception of chaebols (Rosser & Rosser, 2016). Similar to chaebols, zaibatsus were family-controlled conglomerates that enjoyed a cozy relationship with the government and dominated the nation's economy (Chang & Hong, 2000). Zaibatsus were disbanded by the US government shortly after World War II, but their successors, the keiretsu, continue to this day.

Chaebols and zaibatsus use the same Chinese characters, "財閥," which means "wealth clique" (Pae, 2018) or wealth clan. Keiretsu and chaebols have been regarded as symbols of economic success in Japan and Korea, respectively. (Choo, Lee, Ryu, & Yoon, 2008). However, there exist significant differences between them, the most notable being the lack of firm headquarters for keiretsu (Chang & Hong, 2000). Chang (2006) argued that business groups such as conglomerates in the West, chaebols in Korea, business houses in India, business grupos in Latin America, and keiretsu in Japan have one thing in common: the pursuit of unrelated product diversification under centralized control.

[Insert Figure 1 here]

Chaebols originated in the 1950s and proliferated in the 1960s due to substantial government support under an export-oriented economic growth policy (Choi et al., 2008). After the military coup on May 16, 1961, the military government focused on economic growth to justify its administration and chose conglomerate-style chaebols as a growth engine. Chaebols received special treatment from the government, which provided them with financial assistance, low-interest rates, tax benefits, foreign exchange allocations, import and export licenses, and foreign investment incentives. Chaebols were granted exclusive rights and monopolistic access to resources (Albrecht et al., 2010; Lee, 2000) and enjoyed exclusive perks such as tax shields (Lee et al., 2010). Chaebols played a crucial role in the Korean economy from the 1960s until the mid-1990s. During this period, the Korean economy successfully developed, leading to its joining the OECD in 1996; as a result, Korea started to reform the capital market by eliminating central planning and privatizing banks (Rosser & Rosser, 2016). Even after Korea joined the OECD and engaged in liberalization, the relationship between the government and chaebols remained strong. However, chaebols continued to face two problems: maintaining high leverage ratios and overdependence on favorable loans obtained from the financial sector under the direction of the government (Kim, 2007).

Chaebols' significance for the Korean economy has changed in recent decades. The 1997 Asian financial crisis changed the chaebols' image, as much of the blame was placed on them. Chaebols paid a corresponding fine. The then-largest chaebol, Hyundai, was split up during this period of financial turmoil, and Daewoo, the third-largest chaebol, went bankrupt (Chang, 2003). This period was the beginning of the end of the notion that chaebols were "too big to fail" (Kim, Hoskisson, Tihanyi, & Hong, 2004).

Currently, chaebols still account for a large share of the Korean economy. In 2018, chaebol businesses accounted for only 0.2% of Korean companies but 41% of operation profits (Bang, 2019). The top 30 chaebols control approximately half of the corporate assets across almost all industries in Korea (Hwang & Seo, 2000).

[Insert Figure 2 Here]

Whether the status quo should be maintained or the further reform of chaebols is required controversial. Chaebols have increased barriers to entry in the national economy by using their dominance in manufacturing, distribution, and services (Song, 2017) and making it difficult for new companies to compete in many areas of business. The lack of start-up firms in Korea is often blamed on chaebols. The OECD reported in 2016 that only .01% of small companies in Korea grew to midsize companies from 2011 to 2014 (OECD, 2016). Chaebols' nonrelated diversification into small businesses, such as coffee shop franchises and bakery franchises, which threaten the survival of small local companies, has been widely condemned, but a remedy for the problem is yet to be found. Many small and medium-sized enterprises (SMEs) are heavily dependent on chaebols because their business involves providing products and services to chaebols. The mistreatment by principal companies of subcontractors and SMEs, known as "gapjil," is frequently discussed in the news. Gapjil refers to the abuse of underlings and subcontractors by bosses and authority figures (Choe, 2018).

Other forms of entitled or corrupt behavior are also common in chaebols. "Nut rage" or "Nutgate" is a well-known incident illustrating gapjil: the poor behavior of owner families. The vice president of Korean Air (and also the daughter of the company's owner) was outraged when a flight attendant served her macadamia nuts in a bag rather than in a bowl; she dismissed the crew chief on the spot and forced the taxiing airplane to return to the gate to discharge him (Rosser & Rosser, 2016; Taylor, 2014). Nutgate was the beginning of a series of scandals for the family, the family owners of Hanjin, and follow-up investigations and litigation ensued. (Family leaders of chaebols are often called "owners," even though their shareholdings are far from sufficient to make them actual owners of the chaebol company.) The incident became a flashpoint for long-simmering popular resentment about the entitled, erratic behavior and double standards of the family leaders of chaebols. In the 1990s, 7 out of 10 of the largest chaebol family leaders were convicted of bribery, tax evasion, or embezzlement, but all received presidential pardons (Dalton & Dela Rama, 2014).

2.3.3.1 Characteristics of chaebols Choi et al. (2010) argued that chaebol characteristics include family control and management, centralized planning, concentrated resource deployment, quick, coordinated decision making, vertical organizational structure, paternalistic leadership, and growth through diversification. US investors believe that diversification by conglomerates causes the value of a company to deteriorate (Ramachandran, Manikandan, & Pant, 2013). However, chaebol firms have prospered and continue to dominate Korea's business and industry. Cheong, Choo, and Lee (2010) found that chaebol firms have advantages over non-chaebol firms; chaebols deeply permeate Korean society with their diverse products and services, and thus, Korean society is inconceivable without them (Koo, 2015; Premack, 2017).

2.3.3.2 Working for chaebols

Koreans covet working for chaebol firms, often regarded as the most lucrative jobs in the country (Choi, 2018). Salaries in large companies in Korea are higher than those in SMEs. This salary gap continues to grow (Shin, 2018), as SMEs cannot keep up with the salary increases of large companies. SMEs represent nearly 88% of total employment, but the wages they pay are, on average, only 67% of those paid by chaebols (Jung, 2017). Koreans have mixed feelings of envy and resentment toward chaebols (Chun, 2017). Working for chaebols is regarded as a status symbol among Koreans, and one's job title is often attached to one's name, such as "Kim Vice President"; even in non-business settings, one's job title becomes a form of social designation, which is one of the reasons that business people are eager to climb the corporate ladder in Korea.

[Insert Figure 3 Here]

In general, management employees in chaebol companies start as associates and are promoted to assistant manager, manager, senior manager, team leader (project leader or general manager), and then to the executive level and above. Seniority is required for promotion to higher levels, and such levels are assumed to have more decision-making authority. Once per year, every chaebol makes an HR announcement about executive-level promotions, which is printed in major newspapers. This example shows that society still recognizes the social status of chaebol company executives. Due to this social acceptance, many employees at chaebols consider promotion to the executive level and above a personal honor.

Among non-family managers, promotion is based on performance reviews and seniority. Seniority is an imperative factor to be considered among candidates for promotion. New university graduates can forecast their promotions because promotion to each rank requires a certain number of years of seniority. Samsung, the largest company in Korea in terms of business revenue, requires four years for associates, another four years for assistant managers, an additional five years for senior managers, and another five years for team leaders ("How many years," 2016).

Family managers, however, obtain swift promotions (Kwak, 2014) and are fast-tracked to the executive level. The related statistics indicate that family managers are promoted to the executive level in less than five years, whereas non-family managers take 24 years to climb the ladder to the same level (Ko, 2017). Family managers' influence on HR decisions and outcomes is not always fair to non-family managers and often leads to negative consequences (Barnett & Kellermanns, 2006).

[Insert Figure 4 Here]

2.3.3.3 Transfer of ownership and management control

Chaebols entirely populate the list of the largest family-owned firms in Korea. Gomez-Mejia et al. (2007) portrayed the evolution of family firms in three stages. In the first stage, the founding family controls and manages the firm; in the second stage, ownership and management are distributed to the extended family; and in the last stage, the firm is split between family ownership and professional management. Of these three stages, chaebols fall into the second stage because their top managerial positions are given to extended family members, and ownership and control remain in the hands of the family. The founding family possesses only limited shareholding rights but still controls the whole chaebol group of firms using cross-holdings and pyramid-structured organizations designed to place founding family managers at the top (Claessens, Djankov, & Lang, 2000). Bebchuk, Kraakman, and Triantis (2000) argued that chaebols are characterized by a controlling minority structure (CMS) of ownership, and Lee (2002) found that chaebols' family owners have incomparable authority as a controlling minority, even though they own less than 10% of total shares.

In chaebols, the control of firms is handed from the founder to members of the next generation of the founding family; the current leaders of chaebols are from the third generation and are now gradually being replaced by those from the fourth generation (Chun, 2017; Nam, 2018). In August 2017, Lee Jae-young, the de facto leader of Samsung, was sentenced to five years in prison for bribery, illegally transferring assets overseas, embezzlement, concealing criminal proceeds, and perjury; these crimes were all related to his efforts to control the family succession in Samsung (Choi, 2017). Family succession does not mean that new leaders are appointed based on verified managerial talent (Dalton & Dela Rama, 2014) or through fierce competition among talented non-family managers. Unearned promotions and takeovers of control in chaebol firms by next-generation descendants are evident throughout chaebols (Choi, 2017). As chaebols represent a large portion of the Korean economy and have a major influence on it, selecting appropriate leaders for chaebols has become more imperative than ever. One of the major causes of the decline in chaebols before and after the Asian financial crisis has been the poor strategic decisions made by second-generation family managers (Lee, 2000). Founding families have attempted to perpetuate their control and to ensure that even if their shareholdings are relatively small, they can maintain control through various tools developed for the purpose of retaining control.

There is widespread resentment toward family managers who run chaebols, especially heirs and heiresses of founding tycoons, who are widely considered greedy and arrogant (Choe, 2019) and have a reputation for making reckless business decisions (Jin, 2014). There is no sign of improvement, as misbehavior by chaebol descendants continues to turn up in news reports. Due to chaebol families' enormous wealth and social status, Koreans' sentiments toward chaebol families are a mixture of anger and envy (Koo, 2015). Two-thirds of Korean television dramas are stories of chaebol families or people who want to be members of a chaebol family (Cho, 2015). Koreans enjoy these plots, and this seems unlikely to change any time soon.

3. Research Questions

What changes do non-family managers in large organizations such as chaebol firms observe in their decision-making authority when their organizations grow? The delegation of decision-making authority has implied benefits and costs for firms (Colombo et al., 2004). The socioemotional endowment is regarded as the predominant decision-making reference point for family businesses (Berrone, Cruz, & Gomez-Mejia, 2012; Gómez-Mejía et al., 2010). The intuitive expectation is that managers' decision-making authority will grow in conjunction with the successful expansion of the firm's business and growth. As a firm grows and expands its business geographically and within the same or different business domains, top management often needs to delegate decision-making authority, as it becomes increasingly challenging to process all the information and make appropriate decisions at different levels and in various fields. However, family-controlled firms' objectives usually concern socioemotional wealth; family control and the transfer of management rights within the family are the most important of these objectives. This factor suggests that family-controlled firms may find it challenging to delegate decision-making authority, even as they grow their organizations.

This study will investigate how non-family managers, from working-level managers to CEOs, perceive the changes in their decision-making authority as their firm grows. I hypothesize that as firms grow their business, the decision-making authority of non-family managers and executives remains unchanged or even declines because family managers are afraid of losing control. In short, family owners and managers are motivated to create more significant information asymmetry to avoid principal-agent problems between the top management level of family managers and lower levels of non-family managers so that the former can retain control. Because family managers want to perpetuate their control for socioemotional wealth, they try to avoid principal-agent problems by not sharing information and decision-making authority and undermining the agents (non-family managers). Chaebols are accordingly known for top-down decision making by controlling family members.

I hypothesize that as socioemotional wealth-oriented information asymmetry develops, more information will flow to the principal. The principal problem (the opposite of the agency problem) is that more quality information is concentrated with the principal (family managers), whereas agents (non-family managers) have little or low-quality information. An agency problem starts when the agent's interests are misaligned with those of the principal. It is possible for the agent's information to be more qualitative than quantitative. However, in chaebols, the principal exclusively possesses information; this prevents the agent problem but leads to what I call "the principal problem." From a different perspective, family managers as controlling shareholders act as agents for minority shareholders. Family managers' attempts to perpetuate their control, and their socioemotional wealth may exacerbate the agent problem for minority shareholders.

Few studies have examined changes in decision-making authority in chaebol companies, especially from the perspective of socioemotional wealth. I will thus investigate changes in decision-making authority, especially among non-family managers in chaebol companies. To verify my hypothesis, I will interview 41 non-family managers who work for or used to work for chaebol firms, including 1 CEO, 9 executives, and 31 managers.

I plan to investigate the following research questions. (1) How does decision-making authority change for non-family managers as their organizations grow? (2) How does decision-making authority change for family managers as their organizations grow? (3) How do non-family managers perceive the information asymmetry between family managers and non-family managers? (4) With respect to socioemotional wealth, how do non-family managers make sense of the way in which family managers manage chaebols?

One fundamental proposition in this research is that non-family managers do not experience a substantial change in decision-making authority, even as the organizations grow. This finding contrasts with family managers' decision-making authority, which becomes more significant and more protected from performance reviews. In addition, quality information is concentrated systemically at the upper management level, that is, the family manager level in chaebol organizations, and deliberately not shared with non-family manager levels to manipulate the control of a firm by taking advantage of the power from such information.

4. Methods

4.1 Outline

My study will examine the authority change in family managers and non-family managers throughout the growth of firms under the umbrella of chaebols. This study will also investigate how socioemotional wealth is valued in chaebol firms and affects their management. I plan to use a case-study-based research design (Eisenhardt, 1989; Yin, 2003) to examine the patterns of activities of chaebol firms.

Interviews with non-family managers of various chaebol firms serve as my primary research data. The interview data collected so far has reflected extreme situations beyond the initial expectation, and interviewees were hesitant to divulge many of these stories within chaebol firms. Non-family managers of chaebol firms discussed how their and family managers' decision-making authority show different patterns of evolution, demonstrating the need to protect family managers' non-financial interests and how socioemotional wealth affects how family managers maintain their decision-making authority and manage chaebol firms.

I have chosen an interpretive research approach using first- and second-order concepts (Maanen, 1979). The first-order concept is the interview data, which represent interviewees' actual experiences; I will then analyze the data further to formulate second-order concepts.

4.2 Data Sources and Collection

My study is based on personal interviews and news articles. To enhance data validity and credibility, I plan to triangulate the interview data with the data from previous documentary research (Jick, 1979; Yin, 2003). I chose the interview method because it allows me to capture the views of individuals from target populations. I designed this research process to focus on the perceptions and opinions of various levels of non-family managers who are current or past employees of chaebol firms, including CEOs, executives, and managers. If I limit the interview pool to field managers or senior managers, then the interviews would not reflect how all non-family managers think about the subject or reflect only the ideas of certain levels of chaebol organizations. Therefore, interviewing individuals from only a limited corporate tier would reduce the validity of the study. Interview data include the experiences and perceptions of interviewees regarding changes in their decision-making authority over time and regarding changes in their seniority and promotions, their perceptions of family managers, the information asymmetry between non-family managers and family managers, and the style of top management.

Concerning the selection of chaebol companies, to obtain various perspectives on the decision-making authority changes and socioemotional wealth in chaebol firms, I include a wide range of chaebols, such as Samsung, SK, Hyundai, LG, GS, Hanjin, and Kumho, to enhance the trustworthiness (Lincoln and Guba, 1985) of the research. Narrowing the scope down further would reflect only the characteristics of individual chaebols and reduce the validity of the research data, as this work is targeted at chaebols specifically.

I obtained only interview data from individuals with a minimum of five years of working experience in chaebol firms. Less than five years would be too short for these individuals to receive promotions, experience various occasions, and sufficiently notice changes in decision-making authority and other factors.

I also chose only interview data from companies in which interviewees acknowledged and agreed the companies have grown larger during their tenure in terms of business revenue, profit, and employee number. The interviews included questions on how the interviewee's role and decision-making authority has evolved along with the company's growth and how it has affected business effectiveness and morale. I used a snow-balling method to access my interviewees. I conducted 45 in-depth interviews that included 41 first interviews and 4 secondary interviews. These interviews were conducted from December 2018 to October 2019 with 1 CEO, 8 executives, 12 team leaders, 12 senior managers, and 8 managers of chaebol companies. Table 4 shows the list of respondents.

[Insert Table 4 Here]

Interviewees consisted of 35 male respondents and 6 female respondents with an average age of 45, 17.68 average working years at chaebol firms, and 20.32 years in business. Figure 5 shows the analysis of respondents.

[Insert Figure 5 Here]

The interviewee population reflects the gender imbalance in chaebol firms, which has been gradually improving but was highly evident in the 1980s and 1990s. One female respondent described how different the situation was then as follows:

When I first joined a firm, female employees, including flight attendants, had to resign if they married. After several years, management allowed *female employees to continue to work for a firm even after marriage. Although, if we became pregnant, we had to resign. There was no maternity leave... Maternity leave became available in the mid-1990s. (Former senior manager)*

In 2000, for instance, male participation in the labor force was 74.2%, while for women, it was only 48.6% (Cho, 2004). Until the early 2000s, female university-educated employees were relatively rare in chaebol companies. In the World Economic Forum's "The Global Gender Gap Report" (2018), South Korea ranked 115th out of 149 countries. Because interviewees were required to have a minimum of five years of work experience in chaebol firms, male interviewees were easier to identify. I did not balance the gender ratio of interviewees here, as doing so would affect the sample population. Table 4 and the appendix show the list of interviewees and interview protocols.

I followed a semistructured interview format based on the questions included in the appendix. This method allowed me to gather open-ended narrative information. The interviews were carried out in Korean with prior permission from each interviewee to use the interview information for this study. The interviews lasted approximately 45 to 120 minutes. All interviews were recorded with a smartphone with each interviewee's prior consent and were subsequently transcribed within 1 week of the interview date.

Some interviewees found it difficult and embarrassing to answer questions about family managers and top management; they needed more time to gather their emotions and ideas because criticizing family managers inside and outside firms is typically avoided. Interviewees carefully avoided contemplating family-manager-related issues to maintain their morale and avoid feeling that they were working for socially or legally questionable people; instead, they focused on the business, immediate interests, and the company. During the interviews, I had to reassure them that the interview data would be anonymous and confidential and that they were free not to answer questions if they did not want to.

I collected documentary data for an extended period of 10 years, from 2010 to 2019. I sourced the data from news articles from both Korean and international media.

4.3 Data Analysis and Procedure

After collecting data, I started the data analysis using the following 6 steps.

1.1 Listening again to the interviews

Before transcribing the interviews, I listened carefully again to the interview recordings to ensure I heard everything accurately and correctly during the interviews. The recording was of sufficient quality to transcribe the interviews.

1.2 Reading

I read the interview transcripts carefully, line by line, and repetitively to analyze the transcripts to understand their content.

1.3 Coding

I started the first-order-concept (Van Maanen, 1979) analysis using interview data and news articles by indexing the relevant words/ideas repeated by interviewees, repeatedly found in interviewees, explicitly emphasized by interviewees as consequential, similar to previously published articles.

1.4 Categorization

I analyzed first-order concept codes by using a visualized structure to group and categorize the codes to collapse and cluster first-order concept codes into xx second-order concept categories. This process helped to understand the theoretical connection among first-order concepts and second-order categories and the codes by reviewing, selecting, and grouping them, categorizing the codes in relevant groups, and looking for similarities across different interviews.

1.5 Labeling

I analyzed how the categories are theoretically connected and described the connections between them. Second-order categories formed larger themes that describe how non-family managers perceive this context in chaebol firms.

1.6 Triangulation

I analyzed news articles and government institutes' data related to interviewees' ideas and compared them with the interview data.

Table 5 provides representative supporting data for the second-order themes. First-order data were emphasized explicitly and repeated by the interviewees. These quotations were selected to illustrate non-family managers' perspectives.

[Insert Table 5 Here]

5. Findings

5.1 Overview

I have interviewed 41 current or former employees at chaebol firms to obtain answers to my research questions. Thirty-nine out of 41 respondents explained that they experienced or were experiencing stagnant or decreasing decision-making authority, even when their seniority increased, they received promotions, and as the firms and organization grew in conjunction with the growth of the business. These interviewees explained that they did not have the decision-making authority they expected to have, corresponding to their seniority and business titles. They were confident their decision-making authority was much less than that of the same business titles in the past, such as 5 or 10 years ago. Conversely, interviewees also expressed that family managers' decision-making authority remains incomparably strong.

5.2 Stagnation or Decrease in Non-family Managers' Decision-Making Authority

All the interviewees received promotions during their time of employment in chaebol firms. Seniority is the critical element in obtaining promotions in Korean firms (Lee & Park, 2016); therefore, increasing seniority makes non-family managers eligible for promotions. Suppose an employee works for the same company for at least five years. In that case, it is not unusual, especially for the associate and mid-manager-level employees, to receive a promotion. This practice allows interview subjects to reflect on whether their decision-making authority grew as their seniority increased, and they were promoted. The interviewees also chose the method of comparing the same business title's decision-making authority in different periods of time.

One respondent talked about the cause of the decrease in decision-making authority:

> *The decision-making authority of employees decreased even after the growth of the company. As the organization grew, there was a change in the business approval system in the embedded IT. Therefore, autonomy and freedom to conduct business have both decreased. (Interviewee #4)*

The above interviewee feels that the reason for the nongrowth of non-family managers' decision-making authority is the mere growth of business revenue. In the context of firm growth only in revenue but not in the diversity of products or businesses, non-family managers' decision-making authority's corresponding growth does not follow. It is unlikely that the number of decision-makers would increase under this circumstance. A respondent provided a different analysis of growth only in revenue:

> *The individual authority has decreased because company revenue has increased, but the business area has not diversified much. The number of people at the top who make decisions remains the same, while the number of employees has increased. (Interviewee #9)*

Another interviewee made a similar comment:

Sales revenue increased in the same business domain. The business grew with the same products, and the business became globalized. The company hired more people to handle this business (with increased scope). However, the number of people who make the key decisions did not change. If it was three people 10 years ago, then it is still three people today. (Interviewee #8)

The number of key decision-makers did not change. It was a certain group of people in 2008, and it was the same people in 2018. Perhaps, this is because the scope of decision making has not changed tremendously. When the company grows, the amount of money involved in decision-making increases, but the diversity of scope does not grow as much. (Interviewee #19)

Some respondents perceived that as the firm started to hire less young new employees, it resulted in less decision-making authority for non-family managers because there are not enough people for them to manage, even with more seniority and receiving a promotion. In this vein, one respondent explained why middle-aged and younger non-family managers' decision-making authority has not increased:

The company started to hire fewer people after the Asian economic crisis. Thus, the HR structure has a reverse pyramid shape because the company hired many people when the economy boomed after the Seoul Olympics in 1988; then, employees started aging. Everyone was promoted in order of seniority. In many cases, juniors (associates) from

18 years ago are still regarded as juniors today because all their older colleagues are still there with greater seniority. (Interviewee #15)

Respondents find that the reasoning of non-family managers' decision making decreases due to the lack of business knowledge and understanding of new management assigned by the family managers, who are members of the subsequent generations of the founding family of a firm. One interviewee made comments reflecting how non-family managers perceive the situation:

If you compare the same job position, decision-making authority has decreased. Employees must report even the most insignificant matters. It is simply because the boss does not understand the business well, or it is because he or she is new. HR keeps shuffling people to new positions. (Interviewee #3)

Respondents explained the disjunction between formal authority and real authority (Aghion & Tirole, 1997); they are supposed to have decision-making authority, but regardless, they have to consult with and have to report to other teams, organizations or higher levels of the hierarchy, which deteriorates their confidence in their having decision-making authority. A respondent who had to report all decisions made to bosses stated the following:

I do not believe that the decision-making authority of each employee decreased due to company policy. However, the key factor impacting decision-making authority is whether bosses expect subordinates to report to them ahead of time. When the general expectation is to report, *people who must report seriously weaken their decision-making authority and autonomy. (Interviewee #23)*

In such a context, non-family managers perceive their decision-making authority as severely weakened and decreased compared to those with the same business titles in the past, when these managers did not have to report to their superiors. As their seniority has grown, they do not feel that their decision-making authority has correspondingly increased. Even if they were entitled to have decision-making authority because they did not have the autonomy to make decisions but to report to others in advance, they did not perceive that they genuinely had decision-making authority. Interviewees' perceptions of decreasing decision-making authority can be categorized into three motives: risk hedging, social acceptance, and socioemotional wealth.

5.2.1 Risk-hedging motive

Respondents perceived that the decrease in decision-making authority is intentional. Chaebol firms seek risk-hedging objectives that prevent the potential risk involved when the decision-making authority is focused and shared by a small number of non-family managers or when non-family managers have too much decision-making authority. They explained that management has been attempting to change business practice from depending on individuals to what they referred to as 'system management,' which relies on the standardized manual, IT-embedded intranet system, and group/committee decision making. Respondents described this so-called 'system management' and the decrease in decision-making authority as follows:

When firms grow, they implement 'system management', which makes them believe that the CEO does not have to be an experienced person. (Interviewee #5)

To reduce the risk (in decision making), more people start to be involved in decision making. (Interviewee #6)

When an organization grows, management begins to believe that restriction/control by staff teams is required. Once they start such control, they hardly soften it. (Interviewee #9)

To prevent the risk of decision making by individuals, the decision-making authority has been transferred to the system and group. (Interviewee #41)

With systemization, the decision-making process has to go through the system. Therefore, the decision-making authority of individuals has decreased. (Interviewee #34)

From these interviews, it is found that more people have become involved in the decision-making process because of the risk involved when too much decision-making authority is given to a small number of employees, which increases the number of decision-makers who share decision-making authority on the same matter, resulting in the segmentation and fragmentation of decision-making authority. Interviewees expressed frustration with decreasing efficiency over time, as the firm grows and decision-making authority is split among many executives and managers; in turn, the authority of each decision-maker significantly reduces.

The reason for segmentation (of decision-making authority) is hedging risks. In a chaebol company, if too much decision-making authority is held by a small number of people, then the company could be swayed by those people, so the company fragments decision-making authority and shares it among a larger number of employees. From the family manager's point of view, now he/she has more people to help him/her make better business decisions and hedge risks, so his/her position is better and stronger than before. (Interviewee #19)

Senior managers' decision-making authority has decreased, which could be a problem in all industries, and authority is shared by several teams. (Interviewee #21)

The speed of decision making has slowed because it requires more teams to be involved. As decision-making authority has been delegated to many teams, there are gray areas (where it is not clear who is responsible for what) and silos due to poor communication and cooperation. (Interviewee #18)

Another respondent perceived the generalist preference of chaebol firms as resulting in frequent changes in positions and fields of business for non-family managers and bringing about a lack of specialists with experience and in-depth business knowledge.

Companies prefer generalists over specialists. Therefore, everyone changes the field of the business or organization; for example, managers *move every 3 to 5 years, team leaders move every 3 years, and executives move every 3 years. (They say that) we are not in the IT business, so we do not need specialists. (Interviewee #2)*

Frequent changes in positions prove that 'anyone can do it' and makes it common knowledge in the firm. Non-family managers can be replaced anytime. (Interviewee #6)

They do not think that each individual (employee) makes a difference in the business, so they alternate people. (Interviewee #15)

Using generalists lessens the dependence on a small number of specialists, so it is more favorable for management. (Interviewee #20)

Generalists make companies depend less on individuals, which is referred to as 'system management.' Less dependence on individuals enables decision-making authority to move upward. (Interviewee #21)

(My management believes that) as long as the firm has a stable business platform, anyone can perform the work. (Interviewee #23)

Other respondents described chaebol firms' amplified 'management' and 'control' functions, which mainly play monitoring and correcting role to avoid business risks from poor decision making and practice. These functions deteriorated non-family managers' decision-making authority because the staff responsible for this function became fortified and started to intervene in the decision-making process. Respondents explained the increase in 'management' and 'control' of chaebol firms and the decrease in non-family managers' decision-making authority as follows:

> *There are more people (because the company grew), and people have less decision-making authority because superiors intervene in decision making. People are hesitant to make any decisions and just follow the pack. (Interviewee #16)*
>
> *As a business grows, they (staff organizations) attempt to manage all possible risks and to investigate all decision making. Consequently, the larger the business grows, the less the delegation of decision-making authority occurs. Firms take this for granted in earning a greater profit and want to control all factors that might influence the business. (Interviewee #28)*

As a consequence of the risk-hedging motive process, respondents explained the dilution and ambiguity of their decision-making authority as follows:

> *I could do it first and then report later within my decision-making authority. However, it has to be reported in advance, regardless. (Interviewee #14)*
>
> *Even though it is within my decision-making authority, I am to blame if I do not report it (to the upper level of a firm) beforehand and will be asked why I did not report it beforehand. (Interviewee #23)*
>
> *It is covered as 'internal communication' and requires reporting on every matter. How much should I report? Whom should I report it to? We (non-family managers) lose confidence in our decision-making authority. (Interviewee #23)*

Respondents perceived that their decision-making authority decreased due to risk-hedging motives and that these motives were embodied in the standardization of the business, or "system management," generalist preference, which leads to frequent changes in the business field or organization, decreased quality due to the lack of expertise, and a fortified management and control function of the staff organization. Figure 6 indicates the decrease in the decision-making authority of non-family managers due to these risk-hedging motives.

[Insert Figure 6 Here]

5.2.2 Social acceptance motive

Koreans tend to call one another by their business title together with their last name and rarely use first names (Lee, 2012). Even between friends, if an individual has a particular job title, their friends start to call him or her by his or her business title (Kim, Eun Young, 1996). For example, suppose Mr. Lee and Ms. Park are senior managers at work. In that case, they will be called 'Lee Bu-Jang' and 'Park Bu-Jang' by seniors and higher-ranking individuals and 'Lee Bu-Jang-Nim' and 'Park Bu-Jang-Nim' by juniors and lower-ranking individuals within the firm. 'Bu-Jang (部長)' means a senior manager or team leader, and '-Nim' is a suffix to show respect (Kim, 1996: Murata & Jenkins, 2009). Outside of the firm, the business title is still used for social designation. Once an individual has a job title, he or she is subsequently called by the highest job title held, even after retirement (Kim, 1996: Murata & Jenkins, 2009). Koreans are very sensitive to business titles (Alison, 1989) and believe that similar ranks must interact within and between firms.

The growth of chaebol firms entails an increase in the number of business teams and subunits over time. This process results in the creation of more positions that seemingly have decision-making authority. As respondents explained, increasing organizations' size and creating new positions are regarded as the key performance indicators in chaebol firms. The creation of new positions does not only accompany the growth of the business, as it is required even when the business is not growing; otherwise, people will not be able to climb the hierarchical ladder. The interviewees explained the deliberate creation of positions for the purpose of achieving promotions:

> *The reason why they increased the number of business teams is to create more executive positions; they needed to justify these positions. When you are an executive and have two team leaders report to you versus four team leaders, that is very different. It is about vanity and selfishness. I wonder how come the company suddenly needs this many teams, compared to five to 10 years ago. How can they justify it only on the basis of business needs? (Interviewee #3)*
>
> *It used to be one team's responsibility, and now, the responsibility is with two teams; then, positions are created for the executive above these teams. (Interviewee #1)*
>
> *Justifying an executive position requires a certain number of team leaders below him or her. Therefore, they create more teams. They*

inflate the organization to make new decision-making positions, while the business itself does not grow as much. (Interviewee #2)

Another respondent expressed the cause of this phenomenon similar to the above interviewee:

Executives try to strengthen their position by expanding the organization below them, making more positions for people who have been loyal to them. To do so, they make more teams and subunits, which justifies having more team leader positions. Consequently, there are more team leaders and more teams, but there is not enough business to justify those positions and new teams. Therefore, there are new team leaders with less work and less decision-making authority. (Interviewee #32)

Interviews suggest that promotions without corresponding decision-making authority, or promotions in name only, have brought about job title inflation (Martinez, Laird, Martin & Ferris, 2007; Kim, 2016). Respondents perceive this as inevitable because all employees are waiting for promotions, reflecting social status both inside a firm and outside the business context. Respondents describe the gradual inflation of business titles, in which the decision-making authority of a higher corporate position is now equivalent to that of a lower corporate position in the past. The interviewees also explain that promotions often involve honorific business titles that do not come with decision-making authority. This phenomenon is associated with the consequent inflation of business titles and decreased or stagnant decision-making authority. One of the respondents (a former senior manager) described business title inflation as follows:

> *Executives must do what team leaders (senior managers) used to do. The number of teams has increased, and unfortunately, some people who were promoted to team leader positions are not capable of fulfilling their tasks. It (the company) creates more teams to make positions for executives. It is a hierarchy. A new team does not justify a new executive position; there must be multiple new teams to justify an additional executive position (above several teams). (Interviewee #3)*

One respondent compared managers of the past and present as follows:

> *Managers in the past 'really' managed people. Managers today are managers in name only. There is no difference between associates and senior managers in regard to their role and function in a firm. (Interviewee #5)*

One former senior manager explained that receiving a promotion is merely about seniority in the organization:

> *As long as they do not make major mistakes, they will all be promoted to senior manager positions. It is just a matter of time. In other words, after a while, all managers will reach the level of senior managers. The*

real competition begins (when they compete) for team leader positions and above. (Interviewee #11)

Some respondents made the following comments, which reflect the nature of promotions:

Currently, receiving a promotion is merely about the symbolic reward; it does not come with more authority. (Interviewee #41)

Promotions are only a psychological reward so that individuals can tell others that they have become more powerful people. It motivates people. (Interviewee #3)

Managers in the past used to have more decision-making authority. Business titles today are in name only. Managers do not have as much decision-making authority as they did previously. (Interviewee #17)

Pressure exists within a firm that employees (non-family managers) have to be promoted. There are so many who are looking for promotions. (Interviewee #28)

Promotions and business titles are only for printing on business cards. They are just emotional rewards for people (non-family managers). It is difficult to have a sense of achievement or true reward from promotions. (Interviewee #41)

For example, the business title 'group head (部長)' means nothing because there is no group (部), and he or she is not even a head (長). (Interviewee #41)

Some respondents explained that such title inflations have brought about changes, and one of these changes is involving everyone more in routine fieldwork.

> *Team leaders' role is no longer only about making decisions. They are involved in all the routine work, which previously they did not have to be concerned about because team leaders are no longer just 'seniors' but also coworkers.*
>
> *The number of people who handle routine fieldwork is increasing in firms. (Interviewee #17)*
>
> *Every employee (non-family manager) becomes a field worker (regardless of his or her job title). (Interviewee #23)*
>
> *All businesspeople joining chaebol firms have common goals: promotion to a higher position, such as team leader and executive. Now, individuals in these positions have to conduct routine fieldwork without the decision-making authority they used to have. (Interviewee #29)*

Respondents describe that non-family managers are willing to receive promotions without the corresponding or even decreased authority. Respondents perceive that vacant promotions can still motivate them and satisfy their needs for business and social designation. Figure 7 indicates the decrease in non-family managers' decision-making authority to achieve social acceptance.

[Insert Figure 7 Here]

5.2.3 Socioemotional wealth motive

Respondents perceive that family managers deliberately retain and withdraw delegated decision-making authority to strengthen their corporate control and prepare for such authority's succession to the next generations.

> *When authority descends to the succeeding generations (of family managers), the second generation is not as good as the founders, and the third generation is weaker than the second generation. Therefore, heirs do not have a grip on the actual business, not to mention leadership. (For the family manager,) anxiety grows, and it leads him or her to take back delegated decision-making authority and concentrate it in top management—that is, the family manager and his or her friends. They become the head of chaebols not because they were qualified and proved themselves but because the position was handed down from their father or uncle. They join the company and get promoted to senior executive vice president in two years. Because of their lack of business experience, they are still unprepared and unpolished, so they try to protect themselves by retaining decision-making authority and surrounding themselves with loyal vassals. (Interviewee #21)*

Respondents described the decrease in non-family managers' decision-making authority by means of socioemotional wealth motives, such as enhancing corporate control and preparing for blood succession among family managers, which family managers prioritize to preserve their business. This approach simultaneously fortifies the decision-making authority of family managers, which will be described later.

5.3 Reinforcement of Family Managers' Decision-making Authority

Most of the employees in chaebol firms are non-family managers. The number of family managers in chaebol firms is relatively small compared to the number of non-family managers. Koreans call family managers 'owners' of chaebol firms (Lee, 2016) or 'chaebols' to identify them as 'wealthy clans' or wealthy people. Family managers join the firm, start to receive swift promotions, and then position themselves at the executive level if not the top management level. For example, one of my respondents talked about how family managers' titles and decision-making authority changes in chaebol firms:

> *Family managers' children receive swift promotions (in a firm) without effort or achievements. Eventually, family managers' children reach positions that have HR decision-making authority. (Interviewee #22)*

The above comment shows that non-family managers recognize that family managers possess decision-making authority for HR, which is regarded as the most crucial decision-making authority within a firm. It involves making decisions regarding promotions and job security. Some respondents expressed that there the decisions that only family managers can make are so-called 'big decisions.' One interviewee described that only family managers have the authority to make decisions of a certain magnitude:

Only owners (family managers) can make investment decisions, such as those regarding mergers and acquisitions (M&As). Only chairpeople (family managers) can make decisions regarding billion-dollar-sized investments. Such decision-making authority is not given to non-family CEOs. (Interviewee #18)

Regardless of the existence of boards of directors (BODs), non-family managers perceive that family managers hold critical decision-making authority. One respondent described how he or she perceived the function of the BOD and family managers in regard to decision making:

If a BOD was formed via the consent of shareholders, then the BOD could object to family managers' opinions, but the BOD is under family manager control because its members were selected by family managers. (Interviewee #19)

Non-family managers are exposed to certain aspects of an organization, the function of which is to control and monitor the whole business, including but not limited to flows of information and decision making. One respondent described the existence of such an organization as follows:

Chaebol firms are organizations that include both family managers and non-family managers. The family managers of these organizations have significant power and make direct orders to non-family managers. The *purpose of this organization is to preserve family managers' power and influence within a group of companies. (Interviewee #17)*

Another respondent explained how the decision-making authority of family managers is reinforced:

> *Family managers' authority is stronger than ever. All the quality information is reported to them through the organization's filters, which is responsible for gathering information from non-family managers… Non-family managers are forced to be generalists, so they must change their position or field every three to four years to avoid the penalties of slow promotion or early retirement (for specializing in only one field). However, a generalist is more easily replaceable than is a specialist. (Interviewee #23)*

An interviewee explained the reasoning behind fortifying the decision-making authority of family managers:

> *They (family managers) want to be kings, not just rich. They want to be Mr. President of chaebol firms so they can make rules and decisions and change anything as they want. (Interviewee #18)*

Respondents perceived that the key characteristics and activities involved in fostering family managers' decision-making authority could be categorized into two groups: socioemotional wealth motives and avoiding principal-agent problems.

5.3.1 Socioemotional wealth motive

The following comment illustrates why family managers pursue socioemotional wealth and family succession:

> *Hereditary wealth is the first reason (for transferring company control to the next generation). In fact, you can manage at least 10 times more money than what you have in your pocket (if you are in control of a chaebol). Apart from money, if you consider the perspective of power, rich people can inherit one billion or 10 billion dollars, but the control of companies is absolute power. Why would they not want to pass it on to the next generation? Let us imagine that someone made 10 billion dollars through shadow banking. Can he or she compare his or her social status to that of the leader of the chaebol? (Interviewee #14)*

Respondents perceived that family managers must be in a management position to hand down the control of firms due to their conflicts of interest with non-family CEOs, whose priority does not include the succession of the control of the firm to the next generation of the founding family:

> *Non-family managers do not care much about the succession of company control to the next-generation family manager. To do so, the non-family manager has to prioritize working in family managers'*

interests. To transfer company control to their sons and daughters, the family manager has to control the company; otherwise, it is difficult to hand down such control to the next generation. (Interviewee #18)

Holding the essential decision-making authority, family managers can accommodate specific individuals for the succession of the control of the firm:

They appoint their kids as CEOs of their child companies, give business to those companies, and then attempt initial public offerings (IPOs). (Interviewee #20)

Respondents perceive that family managers are in a critical decision-making position in chaebol firms to exercise absolute decision-making authority to manage them in a way that allows them to protect socioemotional wealth so that other family members can enjoy and take advantage of social status. One team leader from a large Korean automaker chaebol firm explained how family-manager top management sets a business goal:

The top priority of my company is completing the succession of company control to the 3rd generation of family managers within 3 years. (Interviewee #19)

Interviewees perceived that the ownership and control of a firm do not separate for the sake of maintaining the blood succession of corporate control among family members, which is only possible when family managers exercise absolute control of a firm by fully utilizing their decision-making authority. This motivates the BOD to represent family managers' interests and to manipulate its decision-making authority, which in turn curtail the board's function. When family managers have absolute control of a firm and manage the BOD as they wish, the balance between the combination of the ownership and control of a firm and BOD is nominal. A nominal BOD makes it difficult for family managers to relinquish corporate control to non-family managers because of the lack of a properly functioning BOD enables non-family managers to exercise absolute corporate control within a firm. A malfunctioning BOD for the purpose of socioemotional wealth retroactively hinders the separation of ownership and corporate control.

5.3.2 Information asymmetry and the agent problem

Prior studies have described information asymmetry, in which the agent has more information than the principal (Eisenhardt, 1989; Jensen & Meckling, 1976; Spremann, 1987). Agent theory assumes that the agent benefits from more and better-quality information. However, the interviews demonstrate that family managers ("principals") have exclusive ownership of information in terms of both quality and quantity in chaebol firm settings. One of the respondents described the information asymmetry between family managers and non-family managers as follows:

> *Family managers govern information within the company. They have all the information, whereas non-family managers have only parts of it. (Interviewee #17)*

Another respondent explained why family managers prefer information asymmetry:

> *They (family managers) understand the importance of information and use this information to secure their control and the transfer of management (company control) to the next generation. (Interviewee #18)*

Respondents explained that a small number of people surrounding family managers share essential information, while such information is withheld from non-family managers. One senior manager respondent commented as follows:

> *In reality, in chaebol companies, family managers have most of the information, which causes information asymmetry. Due to frequent changes in staff, executives, and (non-family) CEOs, the chaebol company system, such as the mafia, requires extreme loyalty to top management, which consists of family managers and a small group of people who are loyal to the family managers; these people do not share information, not even with other top-class managers (who are not family managers). This situation is the opposite of the "agency problem." Employees have to show absolute loyalty to top management, which often goes against shareholders' interests. (Interviewee #22)*

Another respondent explained the manipulations used to avoid the agent problem and its side effects as follows:

To avoid the agent problem, executives regularly change, which causes a lack of specialization. This lack of specialization allows for more interference from those in control. More control decreases the decision-making authority and autonomy of (non-family) managers. (Interviewee #28)

A different interviewee commented similarly to the above interviewee:

Our group changes executives periodically to prevent agent problems. (Interviewee #17)

[Insert Figure 8 Here]

5.4 Chaebol Characteristics

Corrupt and immoral behavior by family members is not new to Koreans because numerous cases have been publicly reported by news media ("Learn from the failing of South Korea's conglomerates," 2019). Family managers of chaebol companies have been implicitly or explicitly blamed for the misdeeds of their companies. The public has often seen family managers be criticized or punished for crimes such as embezzlement ("Samsung fraud probe widens to battle for chaebol succession," 2019; South Korea's Lotte Group founder jailed for embezzlement," 2017) and then return to management positions (Schuman, 2017). Respondents perceived that family managers receive legal punishment and then return to their managerial positions in the firms:

This situation is possible because a family manager believes that it is their company (that he or she owns the company). (Interviewee #41)

He or she may have believed that it was their own money (so they might have considered it embezzlement). (Interviewee #3)

Another respondent similarly explained how family managers could return to their top management positions:

There is no counterbalance for family managers. Family managers in foreign companies are held responsible for business results. However, chaebol family managers are not held accountable. Ownership and company control are separate in many foreign companies, but in chaebol companies, without exception, the founding family shareholder has absolute control of the company. (Interviewee #3)

Conversely, other respondents described how such a situation is similar to that when family managers go to prison:

The vassals and staff of family managers feel indebted when these family managers go to jail. Family managers consider themselves as being in custody because the people below them did not serve them properly. These people were supposed to prevent them from going to jail. (Interviewee #23)

When family managers go to jail, many teams in a firm lose face because the wrongdoing was not solely carried out by the family manager but rather is designed, reviewed, and taken on by teams within a firm. (Interviewee #23)

(When non-family managers go to jail for their business), they believe that they are innocent but going prison for the company. In other words, they consider themselves as going to jail in place of the family managers. When non-family managers are released and return to work, they are regarded as people of loyalty. It is said that these people will get promoted and stay in the company for years, at least five years. (Interviewee #18)

Conversely, another respondent described how this situation is similar to that when family managers return to their positions after their prison terms:

When a chairperson (family manager) has returned to his or her position (from jail), the tension within the chaebol group loosens, and the mood improves, as the chairperson is the most senior member of the group. (Interviewee #37)

Respondents explained that family managers' behavior could be explained only when family managers tend to believe that the firm is their own entity. Respondents described misdeeds by family managers as chronic and attempt not to be concerned with them as long as they do not affect their business.

5.5 Family-Manager Management Is Preferred

Even with the family managers' shortcomings, such as the fortification of their decision-making authority, the pursuit of socioemotional wealth and misdeeds, respondents still expressed their preference for and tacit approval of family manager CEOs compared to non-family manager CEOs:

> *Family managers make decisions from a long-term perspective, such as 20 and 30 years ahead. However, non-family CEOs make decisions based on only the term of their contract. When Samsung decided to invest in the semiconductor business, and when SK acquired Hynix, those businesses and acquisitions would not have taken off if it was not for family managers. Only family managers can make paradigm-changing decisions for their companies. (Interviewee #18)*

Another interviewee explained the benefit of family-manager management:

> *In the 1990s, we lost money from our semiconductor business for 10 years in a row. Without family managers' decision to keep investing in this losing business, we could never have succeeded in the semiconductor business. (Interviewee #11)*

Another respondent pointed out the concerns of employees when non-family management has control of a firm:

> *Non-family-manager CEOs are not always the best. They focus only on the short term of 3 to 4 years, whereas family-manager CEOs have a*

long-term view, so employees feel more stable with the latter. (Interviewee #26)

Another interviewee expressed the benefit of family-manager management in a similar vein to the above interview:

No one can take responsibility more than him or her (chairman or family manager). The situation becomes worse when non-family CEOs overdo things only to keep their jobs. He or she (family manager) does not have to overdo it to keep the position. (Interviewee #35)

An interviewee who used to work for a chaebol firm and moved to a non-chaebol firm compared his or her current firm to a chaebol firm:

In a chaebol firm, the family manager makes important decisions, but my current company does not have such a decision-maker. It seems more democratic but takes a longer time for decision making. (Interviewee #20)

Family-manager CEOs' long-term business approach and the likelihood of more responsibility make respondents feel both job and business stability, whereas non-family CEOs are regarded as short-term-focused. Respondents stated that the reason that non-family CEOs lack a long-term strategy stems from insufficient decision-making authority. They also have to obtain permission and approval from family managers who are their bosses in most cases, such as the chairman of a chaebol group or one who performs unofficially as an 'invisible hand' yet have absolute decision-making authority, including HR decisions regarding CEO assignment.

5.6 Summary

I conjecture that as chaebol firms grow their businesses, the decision-making authority of non-family managers remains unchanged or decreases because family managers are afraid of losing control of their firms by delegating decision-making authority to non-family managers. My findings suggest that firm growth does not always translate into an increase in non-family managers' decision-making authority. The findings also indicate that non-family managers perceive themselves as having less decision-making authority than did those at the same level of seniority and with the same business title in the past. Non-family managers also note that they have been promoted to higher-level positions, seemingly having more decision-making authority, but have not experienced absolute growth in decision-making authority. The inflation of business titles and an increase in the number of managerial positions with decision-making authority means that non-family managers' decision-making authority is diluted because they have to share this decision-making authority with additional decision-makers. This sharing of authority results in inefficiency in the business and the demotivation of non-family managers.

The findings suggest that non-family managers perceive that their decision-making authority has been constrained by family managers' motives for risk hedging, social acceptance, and socioemotional wealth preservation. From the risk-hedging perspective, the firm endeavors not to provide too much decision-making authority to a small number of non-family managers to avoid the risk of wrong decisions being made. From the social acceptance perspective, firms deliberately create positions and inflate job titles to satisfy their business and social designation needs. For socioemotional wealth preservation, family managers withdraw delegated decision-making authority from non-family managers and fortify their decision-making authority.

I also conjectured that constraining the authority of non-family managers concentrates authority at the management level, which is under the direct control of family managers, and ultimately among top management (the family managers themselves). The findings suggest that non-family managers perceive family managers’ decision-making authority as remaining strong and reinforced by focusing on decision-making authority among family managers and a small number of their vassals. Family managers’ absolute corporate control is enabled by the BOD, which selects members and works towards family managers' interests. Respondents explained that family managers create information asymmetry because they understand the power of information for maintaining corporate control. In prior studies (Eisenhardt, 1989; Jensen & Meckling, 1976; Spremann, 1987), non-family managers (agents) acquire more information on the business from their activities, whereas family managers (principals) face challenges in obtaining as much information. This study shows that information asymmetry in chaebol firms favors family managers' socioemotional wealth. In other words, the quantity and quality of information enable family managers’ control of the company and its perpetuation. Respondents perceive the reinforcement of family managers’ decision-making authority as creating a platform to maintain family managers’ status and hand it down to the next generation of family managers so that it works to preserve the socioemotional wealth of the founding family.

Respondents perceive that family managers’ misdeeds are chronic and try not to concern themselves with such transgressions, as long as doing so does not directly impact their business. Regarding family managers’ return to their managerial position after legal punishment, respondents interpreted that such a situation is only possible because family managers believe that the firm is their own.

Even with family managers' shortcomings, respondents expressed a preference for family-manager CEOs because family-manager CEOs’ long-term-focused business approach enables business and job security within a firm. The evident and undisputed succession of corporate control within a firm is likely to contribute to this phenomenon. The findings of vacant promotions, or promotions in name only, and withdrawing delegated decision-making authority have implications for 2nd- and later-generation family managers in preserving their power within the firm.

6. Discussion

A primary contribution of this research is the identification of the concept of vacant promotion and the explanation of its function in mitigating the disjunction between employees' expectations for receiving promotions with more significant influence, such as decision-making authority, and management's facing of promotion bottlenecks or risk-hedging motives for limiting the delegation of decision-making authority to employees. My findings suggest that vacant promotion, with passive acceptance, can satisfy employees' hopes for receiving a promotion, facilitate their needs for social designation, and work as a nonenumerative alternative to motivate employees. However, the inherent lack of decision-making authority involved in vacant promotion makes it apparent that such promotion is in name only and that employees accept this practice only when there are no other options. However, this fact contributes to exasperation because the promotion does not bring what it used to and the authority that recipients expected to have after being promoted.

The second contribution of my research is identifying the change patterns of decision-making authority in family businesses in the context in which the management team includes only later generations of the founding family. My findings illustrate how employees perceive the changes within a firm when the later generation of the founding family attempts to retain control of the firm and preserve the family's socioemotional wealth. This later generation is likely to manipulate decision-making authority and information to protect its status within a firm and its control of the firm. Employees are likely to accept these changes if the blood succession of corporate control is predictable, and the new management warrants job security.

6.1 Concept of vacant promotion

When a firm grows in terms of business revenue, profit, headcounts, and cognitive perception, employees expect and take for granted their ability to grow together with the firm by receiving promotions and having better job titles, more autonomy, and more decision-making authority. However, management cannot promote all employees in decision-making positions because the point of decision making does not grow as much as does the firm. In addition, management tries to avoid the risk of making wrong decisions by not providing too much decision-making authority to each employee. Typically, management can't listen to all opinions from different levels of managers, so they make decisions among themselves. The disjunction between employees' expectations and the reality faced by management leads to limited genuine promotion, which is likely to cause issues such as demotivation and a lack of social designation. Firms find it challenging to promote employees to decision-making positions as much as employees anticipate and alternatively start giving job titles with less corresponding decision-making authority by deliberately making more decision-making positions for the fixed amount of decision-making authority so that more decision-makers are involved in decision making without giving them each increased decision-making authority. This approach consequently results in the segmentation and fragmentation of decision-making authority, requires more people to make certain decisions, and takes place only below the level of significant business decisions such as the fieldwork level of decision making. Moreover, this higher level of substantial decision-making authority remains with a small number of people at the management level. Such promotion without the corresponding authority results in job title inflation (Martinez et al., 2008), which leads to the concept of vacant promotion, as people continue to perform tasks similar to those they used to and must handle a lower tier of work, even after promotion to a higher job title. This situation is because the promotion is in name only, and the job titles in the present day carry much less decision-making authority than the same job titles in the past. This situation is palliative and likely to cause employees' demotivation and their indifference regarding the firm in the long run. Even though these types of promotions are vacant promotions, employees still accept and look for these promotions because they do not have alternatives; they consider such promotions as being better than staying in the same job title, need to accept such promotions to move up in the company, and want to have a better job title as a form of social status and designation. Vacant promotion is unlikely to be only chaebol firm-specific. Still, it is likely to be used as a compromise concept instead of genuine promotion and monetary reward in the context in which power distance (Hofstede, Hofstede & Minkov, 2010) is greater and in which hierarchy, title, and self-face matter (Kim, Wang, Kondo & Kim, 2007; van Schalkwyk, 2011) such as in East Asian countries. Therefore, I suggest the following:

Proposition 1 (P1): Vacant promotion, or promotion with less corresponding authority, is likely to be implemented as an alternative method to motivate employees if monetary rewards or genuine promotion is not available in institutional environments with greater power distance and high-status consciousness.

6.2 Inclusive exclusion

Prior research has identified how family managers in family businesses behave in terms of making business decisions concerning financial goals and family-benefit-oriented motives to preserve their socioemotional wealth in comparison to non-family firms (Gomez-Mejia et al., 2007; Cruz et al., 2010; Stockmans et al., 2010; Berrone et al., 2012; Zellweger et al., 2012; Gomez-Mejia et al., 2014; Minichilli et al., 2014). The focus of the prior research has been mostly the analysis of family managers in Western family firms. Research on family firms in the Asian context (Jaing and Peng, 2011; Chung, 2013) has yet to flourish. More importantly, the main constituents of large family businesses, non-family employees, have not been considered as the main subject in the previous research. Prior research did not have the opportunity to test whether the theory can be applied in the Asian business setting, such as chaebol firms, which are the prevalent and dominant family firms in Korea. My findings capture how non-family managers perceive business activity in chaebol firms and suggest that there exists inclusive exclusion, consisting of a pan-family manager circle that includes family managers and vassals who share the same interests as family managers and the rest of the employees, or non-family managers.

My evidence strongly suggests that the growth of an organization does not translate into the growth of employees' decision-making authority, specifically non-family managers, even though there exist strong expectations for changes that can preserve their seniority in the firm and their social standing. My findings indicate that the 2nd or later generations of family managers typically have different socioemotional wealth types that lead them to behave differently from those in the 1st generation. This finding is different from the prior research on generational differences among family firms because the latter argues that generational differences are not noticeable, except for when 2nd- or subsequent-generation management is likely to plan more for corporate control succession than are the 1st-generation founders (Sonfield & Lussier, 2004). When family firms' culture is paternalistic, family managers retain most of the decision-making authority and key information and consider non-family managers as being untrustworthy and thus in need of close supervision (Stavrou, Kleanthous, and Anastasiou, 2005). Hereditary managers are different from founders because the former lacks experience, control, and knowledge of the business and employees, which motivates hereditary managers to implement different management styles, such as "system management," which refers to the standardization of business processes, making the business less dependent on each employee's capability. Hereditary managers are seemingly more systematic and believe that this approach will clarify each employee and the team's role and responsibility within a firm. The change in management style stimulates a preference for generalists rather than specialists. Shelfhaudt and Crittenden (2005) have a different definition of a generalist. They consider him or her not to be concerned about the holistic view of the business or ability to collaborate with others but rather about interchangeability. Non-family managers are forced to change their business positions and domains to comply with firms' decisions.

Being a specialist is against management's strategy of depending less on each employee, consequently making it easier for management to replace employees and for the firm to seemingly continue to run without problems.

Aghion and Tirrole (1997) argue that the increase in an agent's authority results in a loss of control for the principal. Similarly, Zabojnik (2000) argues that the delegation of authority either entails the principal's loss of control or the better utilization of information throughout the lower levels of the firm. My findings suggest that hereditary management that includes the 2^{nd} or later generation of the founding family tries not to delegate too much authority to avoid a loss of corporate control and increase the better utilization of information within a firm. Because the control of a firm is handed down from a father or uncle without proper qualification, hereditary management leads to the motivation to withdraw delegated decision-making authority from non-family managers and focuses more decision-making authority within family managers and a small group of vassals because the 2^{nd} or later generation of family managers lack confidence regarding whether they may or delegate decision-making authority to non-family managers. Constraining the delegated decision-making authority to non-family managers and concentrating decision-making authority more at the management level is likely to make the 2^{nd} or later generation of family managers feel more stable in controlling the firm. Therefore, I propose the following:

Proposition 2 (P2): 2^{nd}- and later-generation family managers are less likely to delegate decision-making authority to non-family managers and focus more on hedging the risks of such delegation.

Interestingly, despite the decreasing decision-making authority through promotion, my findings suggest that employees prefer family management, even with its flaws, because they believe that it warrants long-term stability, which inhibits abrupt changes in business strategy and stabilizes job security, whereas non-family managers have intrinsic limitations in that they have to prove their competence in a short period of time to their bosses, who are usually family managers in the chaebol context. Consequently, non-family management tries to achieve business goals, mostly financial targets, regardless of the situation, which leads to reckless short-term-oriented business strategies and volatile job security. The evidence from this study suggests that non-family managers perceive that family management is not necessarily harmful to minority shareholders (Aguilera & Crespi-Cladera, 2012) and more responsible for the outcome of the business because such managers have equity ownership and emotional attachment (Berrone et al., 2012; Gomez-Mejia et al., 2007; Stockmans et al., 2010), as the business is their family legacy and they think highly of family reputation (Gedajlovic & Carney, 2010). In contrast, non-family managers can choose to leave the firm, and then, they no longer face any consequences. Even though there exist unfair business practices, such as swift promotion, protection from the performance appraisal, and incomparable decision-making authority for family managers within a firm and even occasional corrupt and immoral behavior by family managers, non-family managers are more likely to support family management than non-family management.

My observations about the benefit of family management and non-family managers' preference are likely to be more conspicuous if the blood succession of corporate control is predictable, the job market is neither liquid nor well established, social status is influenced by the vocational factor (Hollingshead, 1975) and the size and name of the firm matter, and employees perceive congruity between the firm's corporate image value and themselves (Helm, Renk & Mishra, 2016). This finding leads me to suggest the following proposition:

Proposition 3 (P3): Family firm employees are more likely to turn a blind eye to wrongdoings by family management when such management leads to stable job security compared to non-family management, when the blood succession of corporate control is predictable, and when the job market is not fluid

6.3 Malfunctioning BOD

My findings indicate that a weak BOD is the deliberate attempt of family managers to preserve their power within a firm. Family managers' ownership and control of a firm are intended to preserve their socioemotional wealth, particularly to maintain and hand down corporate ownership and control to next-generation family managers. This situation necessitates family managers' absolute control by fully exercising their decision-making authority within a firm. This fact motivates family managers to make the BOD represent their interests and manipulate the BOD's decision-making authority, which in turn curtails the BOD's function. Although family managers want to control the BOD by making it an ineffective body, they also fear that the BOD can be taken over by non-family managers when family managers step down from board positions. Therefore, this situation makes it difficult for family managers to remain as shareholders and relinquish corporate control to non-family managers. A malfunctioning BOD for the purpose of obtaining socioemotional wealth hinders the separation of the ownership and corporate control of a firm. It is more likely that if the proper regulations for choosing BOD members are not in place and family managers can choose BOD members as they wish, then the role of the BOD is not certain, the expectation is very low, and there is a lack of countermeasures by the non-family minority and noncontrolling shareholders for family managers to attempt to foster their corporate control. Therefore, I propose the following:

Proposition 4 (P4): The lack of a properly functioning BOD is likely to engender or foster a combination of ownership and control of a family-controlled firm, and an ineffective BOD leads family managers to fear that the BOD can be taken over by non-family managers when family members step down from board positions.

6.4 Theoretical contributions

This study makes four major contributions. First, the prior literature on the socioemotional wealth of family firms mostly aims to prove the difference between family firms and non-family firms with regard to how family members prioritize socioemotional wealth and make decisions to preserve it (Berrone et al., 2010; Cruz, Gomez-Mejia, & Becerra, 2010; Gomez-Mejia, Haynes, Nunez-Nickel, & Jacobson, 2007; Gomez-Mejia, Makri, & Kintana, 2010; Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). This study extends the prior research by analyzing socioemotional wealth from non-family managers' views and how they perceive and respond to firms' decisions vis-à-vis socioemotional wealth. The findings suggest that non-family managers perceive that family managers concentrate decision-making authority among themselves to preserve their socioemotional wealth and the succession of corporate control, which are regarded as the essential tasks for family managers.

The second contribution of my research is the identification of the change patterns of decision-making authority in family businesses in the context of management becoming a later generation of the founding family. My findings illustrate how employees perceive the changes within a firm when the later generation of family management attempts to retain control of the firm and preserve the family's socioemotional wealth. The prior research focused on the difference between founder management and hereditary management in family firms (Sonfield & Lussier, 2004). This study details non-family managers' perceptions of hereditary management and their decisions with regard to socioemotional wealth.

The third theoretical contribution involves the describing of business groups' idiosyncratic business attitudes and success. Prior studies analyzed business groups through the chronological analysis (Chang, 2006; Choo et al., 2008, Khanna & Yafeh, 2007; Lee & Lee, 2008; Lee et al., 2010; Kim & Lee, 2003) of governance (Chang, 2003; Claessens et al., 2000; La Porta et al. 1999; Lee, 2002;) and its structure (Chang & Hong, 2000). This study is the first to conduct a microlevel analysis of chaebol firms to provide an opportunity to examine large firms in Korea and understand how they conduct business and make decisions.

The fourth theoretical contribution involves comparative governance literature. Prior studies examined the comparative advantage of family-controlled firms (Aguilera & Crespi-Cladera, 2012; Carney, 2005) and BOD composition with consideration of firm survival (Le Bretton-Miller & Miller, 2013). Family businesses exist in many countries, but the ways in which they govern themselves are different. This study describes how family managers of chaebol firms govern by illustrating how an ineffective BOD affects the ownership and control of a firm and how the combination of these factors makes it difficult for family managers (owner-managers) to relinquish such control to others in fear of non-family managers taking over the BOD and exercising absolute control in the firm. This situation perpetuates family managers' motives to maintain ownership and control among family managers.

6.5 Practical and managerial implications

Given that the labor market is not fluid and lacks a better choice when changing careers, managers focus more on growth within a firm, and receiving promotions is regarded as an essential parameter for growth. My findings imply that vacant promotion, or promotion without the corresponding authority, is awarded to managers. Managers should be aware that there is a disjunction between employees and management; that is, employees tend to take for granted their growth by receiving promotions and having more decision-making authority when a firm grows. Conversely, management sees it as the firm's growth, not necessitating employee growth by providing promotions or more decision-making authority. While there exists a wide gap between perception and reality, this phenomenon has not been thoroughly studied or mentioned publicly, especially in business in Korea and, more specifically, in chaebol settings. Chaebols account for a significant share of the Korean economy and influence other standalone firms within the country. When chaebols start to apply new implementation, such as HR systems, including changing job titles and promotion systems, other firms are gradually influenced. This research illustrates how receiving a promotion is perceived from the recipients' perspective and how it works in terms of motivation and as an alternative for monetary rewards. This research may function as a guideline for the way in which to provide new job titles and corresponding authority and manage employees' motivation at work.

The current regulations for chaebol firms seem to have a great deal of room for improvement in regard to their effectiveness and practicality. BOD member selection is influenced by family managers, and its function is limited to a nominal value. Improved regulations with regard to the role and member selection of the BOD will increase the transparency of chaebol firms and enhance their positive impact on investors.

The interviewees often portrayed Samsung's strategic decisions and investments in the semiconductor business as a successful case of a chaebol firm. They mentioned that without the long-term vision and leadership of family managers, the company could not have become the market leader. Many chaebols, such as Daewoo, Ssangyong, and Kia, have failed. The interviewees in this work are from successful chaebol firms, which means that they are not part of the failed chaebol firms, forgotten and hardly mentioned anymore. These collapsed chaebol firms also had hay days, but their poor business strategies and decisions led to their failure. Winners write history. Stories of collapsed chaebol firms are not published as much as are those of surviving chaebol firms. Chaebol preference and family manager preference have to be considered because, although a firm may be successful currently, it may have to deal with issues more carefully in the future. More caution should be paid to making decisions regarding chaebol firms and their management. Some chaebol firms are highly innovative and lead the market by developing new products and launching new services. Businesspeople should consider whether chaebol firms can maintain their future status, with family management, if the labor market becomes more fluid in Korea. I speculate that when highly talented Korean workers start to consider careers outside of the Korean business context, chaebol firms may lose their most important asset, which is non-family managers.

6.6 Limitations and future research

Similar to other studies, this study has some limitations. My research is based on 45 semi-structured interviews with CEOs, executives, and managers of chaebol firms. I aimed to have a well-balanced sample of interviewees in terms of chaebol affiliation, years of working for the chaebol, and age. Nevertheless, it is difficult to ascertain whether this set of interview subjects can represent all chaebol companies, let alone all family-owned companies in Korea. Larger-scale research could further explore how the failure to delegate decision-making authority to non-family managers in chaebol firms affects business and how the way in which family managers maintain socioemotional wealth impacts the financial wealth of firms.

Although I conducted 45 interviews, it was sometimes challenging to obtain answers to questions that interviewees regarded as touching on sensitive matters. They generally found it difficult to divulge, for the first time in an interview, their thoughts on family managers and how those managers manage their respective firms. Chaebol employees are unwilling to openly discuss their companies' founding families and their thoughts about family managers. Interviewees tried not to comment on family-manager-related issues to avoid any negative consequences to their careers and reputations. However, while interviewees were more cautious at the beginning, they became more eloquent in the later parts of the interviews. For future studies, using surveys with larger pools, such as a more significant number of chaebol firms and participants, and performing quantitative analysis will extend the analysis range and offer additional insights.

Second, my sample has only a few female interviewees, which reflects the gender imbalance within chaebol firms; this imbalance has been gradually improving, but because interviewees were required to have a minimum of five years of work experience at chaebol firms, it became more evident. If future research focuses on chaebol firms' current situation and new employees are interviewed, then the percentage of female interviewees will surely increase.

Third, the research context is chaebol firms, which are an incredibly successful business growth in particular, unique to the Korean business context. If the research focuses on declining or matured chaebol firms, it might generate different outcomes. The findings are also likely to apply to family-controlled business groups in other contexts in which family control is still substantial; control and ownership are combined. Future research may focus on business groups and conglomerates in emerging countries, as this study's results are more applicable to such cases. In contrast, the findings may not be applicable to other research contexts, where the disparity between the ownership and control of firms exist, and family managers' influence on firm management is not substantial, such as family and non-family firms.

I hope that my approach, which involves extensive interviews with employees from various chaebol companies, will motivate other researchers to further study chaebols, which remain the engine of the South Korean economy and different types of family businesses. Perhaps this study will open the door for future studies on chaebol firms at the micro level so that the bottom (employees and field managers) and the top (management) members of chaebol firms will further illustrate reality chaebol firms.

7. Conclusions

This study offers new insights into the research on socioemotional wealth by showing how non-family managers in chaebol firms perceive the change in their decision-making authority during and after the growth of their firm and how this differs for family managers. Until now, how non-family managers understand the way in which family managers manage firms and maintain socioemotional wealth is still little known outside of chaebol firms. The interviews with non-family managers helped in understanding further how the decisions are made, and the organizations are managed inside chaebol firms.

This study illustrated the practical problem of vacant promotion, which permeates business, affecting constituents, especially recipients who do not have career alternatives. Vacant promotion is likely to be used as a compromise concept when genuine promotions and monetary rewards are not available, therefore leading to a potential demotivation effect. The findings highlighted the disparity between employees' perceptions and reality in business. Perhaps this study can initiate further research and discussion on how to mitigate this disjunction.

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Table 1

Literature Review – Socioemotional Wealth

No.	Name	Summary	Authors	Journal	Year	Country/source of data
1	Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills	Family managers are likely to accept financial hazards if the decision can protect the firm's non-financial aspects that preserve socioemotional wealth.	Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes	Administrative Science Quarterly	2007	1,237 family-owned olive mills in Spain
2	Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less?	1. Family firms show better environmental performance than non-family firms. This effect persists independent of whether the CEO is a family member or serves as both CEO and chairman of the board. 2. For non-family firms, if the CEO has stock ownership, it is more likely to harm environmental performance.	Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana	Administrative Science Quarterly	2010	194 firms required to report emissions to the Toxic Release Inventory (TRI) program of the U.S. EPA
3	Perceptions of benevolence and the design of agency contracts: CEO-TMT	1. Family managers tend to lean toward TMT contracts that are more protective of their welfare when the team is composed of family members, even though this	Cruz, Gomez-Mejia, & Becerra	Academy of Management Journal	2010	122 Spanish family-owned firms with different levels of family involvement in the TMT

	relationship in family firms	action may not help firm performance. 2. Outside CEOs are likely to be more focused on their market value for future employment.				
4	Diversification decision in family-controlled firms	1. Family firms tend to diversify less than non-family firms. 2. Family firms are more likely to choose diversification when they experience more significant performance threats. 3. Hiring outside managers for professional management and delegating authority is likely to weaken family managers' influence over the firm.	Gomez-Mejia, Makri, & Larraza-Kintana	Journal of Management Studies	2010	A random sample of 160 family firms and 200 non-family firms from 1998 to 2001
5	Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research	1. Family firms will make strategic decisions to avoid potential socioemotional wealth losses, even if such decisions are at the expense of others who do not pursue socioemotional wealth. 2. Certain decisions that are long-term-focused, based on socioemotional aspects, may result in a firm	Berrone, Cruz, & Gomez-Mejia	Family Business Review	2012	

		competitive advantage. 3. The BOD is a crucial governance organization through which family managers can protect their socioemotional wealth and influence key strategic decisions; corporate control succession within a family.				
6	Family control and family firm valuation by family CEOs: The importance of intentions for transgenerational control	1. Socioemotional wealth illustrates the family's stock of social, emotional, and affective endowments within the firm. 2. Transgenerational control explains family managers regarding the future benefits of control as part of their socioemotional wealth. 3. The preservation of socioemotional wealth works as a critical non-economic reference point when family managers make decisions, which is difficult to explain if others use an economic reference point or a financial standard.	Zellweger, Kellermanns, Chrisman, & Chua	Organization Science	2012	Mail sent to the CEOs of 1,250 privately-held Swiss family firms and CEOs of 4,000 family firms in Germany in 2006 and 2007, respectively

7	Socioemotional wealth as a mixed gamble: Revisiting family firm R&D investments with the behavioral agency model	1. Decisions involving tradeoffs will require the family to weigh potential socioemotional gains against potential losses stemming from R&D, which requires a holistic assessment of the socioemotional consequences. 2. Increased R&D is likely to reduce family managers' socioemotional wealth through a loss of corporate control and lead to underinvestment.	Gomez-Mejia, Campbell, Martin, Hoskisson, Makri, & Sirmon	Entrepreneurship: Theory and Practice	2014	Corporate Library database, COMPUSTAT, Thompson Financial, and the U.S. Patent and Trademark Office
8	The role of family management and family ownership in diversification: The case of family business groups	1. The likelihood of diversification declines when family managers assign more family members to an affiliate company's management positions. 2. The balance between corporate control and ownership in family business groups engenders unique risk consideration methods and principal-agent problems and	Chung	Asia Pacific Journal of Management	2013	Data on 100 business groups in Taiwan in the period 1988-2002

		influences a firm's diversification.				
9	CEO succession mechanisms, organizational context, and performance: A socioemotional wealth perspective on family-controlled firms	1. a fundamental goal for family managers when changing a CEO is to focus more on socioemotional wealth preservation than securing financial targets. 2. Increased family managers on the BOD negatively affect the succession mechanism, enabling a balance between socioemotional wealth and business priorities.	Minichilli, Nordqvist, Corbetta, & Amore	Journal of Management Studies	2014	Top 1,000 private and listed Italian family-controlled firms
10	In the horns of the dilemma: Socioemotional wealth, financial wealth, and acquisitions in family firms	1. Weakness in business, such as low business performance and the absence of slack, decisively impact how to solve the decision dilemma. 2. To family managers, slack represents resources to prepare for economic fluctuation, means wealth security, and provides the opportunity to pursue socioemotional wealth, even with inefficiencies	Gomez-Mejia, Patel, & Zellweger	Journal of Management	2018	Standard & Poor's 1,500 firms in the manufacturing industry during the period from 1997 to 2011

		such as lost growth opportunities by M&As.				
11	Socioemotional wealth and earnings management in private family firms	1. Socioemotional wealth may increase motivation for upward earnings management when a firm shows poor performance. 2. Family firms managed by first-generation founders seem to have a greater incentive to grow to earn more to preserve the family's socioemotional wealth. 3. When family firms are confronted with reduced economic performance because of their focus on family objectives, agency costs with non-family stakeholders occur. However, the result proves that family firms take a short-term focus on socioemotional wealth preservation.	Stockmans, Lybaert, & Voordeckers	Family Business Review	2010	896 questionnaires filled out by presidents, CEOs, and financial directors in the manufacturing, trade, and service industry

12	Does family employment enhance MSEs performance? Integrating socioemotional wealth and family embeddedness perspective	1. When family firms act as both the primary income source and the primary employment organization, their failure has a catastrophic impact on the family. 2. The resulting stress on the family managers and employees increases the conflict between financial and socioemotional goals and has adverse effects on family member employment and financial aspects. 2. Socioemotional wealth has been used as a tool mainly for verifying differences between family and non-family firms.	Cruz, Justo, & De Castro	Journal of Business Venturing	2012	National survey on SMEs conducted via personal interviews in the Dominican Republic
13	Preserving socioemotional wealth in family firms: Asset or liability? The moderating role of business context	1. Having family members in the organization improves the financial performance of family firms located in industrial districts but negatively affects listed family firms. 2. Instrumental socioemotional wealth (family-manager CEO's control and influence over a family firm's assets)	Naldi, Cennamo, Corbetta, & Gomez-Mejia	Entrepreneurship: Theory and Practice	2013	Yearly observations of family firms with revenues greater than 50 million euros through filings at the Italian Chamber of Commerce

		harms financial performance.				
14	Are family ownership and control in large firms good, bad or irrelevant?	1. An analysis of a sample of eight Asian countries suggests that there is no concrete evidence proving that family ownership business is always “good,” “bad,” or “irrelevant.” 2. The protection for minority shareholders by legal and regulatory bodies decides the effect of family ownership and control.	Jiang & Peng	Asia Pacific Journal of Management	2011	744 publicly-listed large family firms in eight Asian countries (Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, and Thailand)
15	Found-family ownership and firm performance: Evidence from the S&P 500	1. Minority shareholders were not negatively impacted by family ownership. They are proving that family business is an effective business structure. 2. Family business is both prevalent and common; family business accounts for about one-third of the S&P 500 and approximately 18% of outstanding equity.	Anderson & Reeb	The Journal of Finance	2003	Standard & Poor’s 500 firms as of December 31, 1992

16	Development of a socioemotional wealth importance (SEWi) scale for family firm research	1. Family prominence, family continuity, and family enrichment compose socioemotional wealth's importance. 2. "Family prominence is how the community regards the family; family continuity is associated with preserving family control and involvement in business; and family enrichment is altruism toward family members, as shown by enhancing their happiness and well-being."	Debicki, Kellermanns, Chrisman, Pearson, & Spencer	Journal of Family Business Strategy	2016	
17	Socioemotional wealth importance within family firm internal communication	An analysis of business messages within the family firm sent by family managers and non-family managers shows the different message content based on each sender group. Family managers' messages are more about strengthening family dominance, sustaining family continuity, and reinforcing family enrichment, whereas non-family managers' messages	Marett, Marler, & Marett	Journal of Family Business Management	2018	123 individuals from 41 family firms

		are not about family-related content.				

Table 2

Literature Review – Authority

No.	Name	Summary	Authors	Journal	Year	Country/source of data
1	Formal and real authority in organizations	1. Real authority is determined by the structure of information, which in turn depends on the allocation of formal authority. 2. An increase in an agent's real authority promotes initiative but results in a loss of control for the principal. 3. The key to analyzing formal versus real authority is asymmetric information. 4. A principal with formal authority over a decision but refrains from exercising it if the subordinate is much better informed, as long as their objectives are not too antinomic.	Aghion & Tirole	The Journal of Political Economy	1997	
2	Delegation of authority in business organizations: An empirical test	1. The complexity of plant operations and organization, the characteristics of the communication technology in use, the ownership status of plants, and the product mix of their parent companies figure prominently in explaining whether the authority is delegated to the plant manager or not. 2. Plant organization is complex, consisting of a high number of managerial levels, and superiors' information is limited, which increases the delegation of authority to plant managers who are	Colombo & Massimo	The Journal of Industrial Economics	2004	438 Italian manufacturing plants

		closer to the plant's activity. 4. More employees and the low efficiency of communication are likely to increase authority delegation. 5. Improved intra-firm communication systems are likely to decrease authority delegation.				
3	Economy and society	1. "The essence of authority is a relationship between two or more actors in which the commands of certain actors are treated as binding by the others." 2. There are three types of authority: legal-rational, traditional, and charismatic.	Weber, Roth, et al.		2013	
4	Centralized and decentralized decision making in organizations	Under centralization, a manager can choose a project that the worker dislikes. This can make it costly to motivate the worker to work on it if they are liquidity-constrained. Delegation thus may be the optimal organizational arrangement, even if the manager is better able to choose a profitable project.	Zabojnik	Journal of Labor Economics	2002	
5	Delegation of decisions about change in organizations: The roles of competition, trade, uncertainty, and scale	1. Product market competition is associated with delegation. However, trade plays a nuanced role; whereas exporting is associated with the delegation, there is no significant relationship between delegation and a workplace facing import competition. The centralization of decision-making authority is more likely when there is demand uncertainty.	Meagher & Wait	Journal of Law, Economics, and Organization	2014	Australian 2001 workplaces with 20 or more employees

		2. If exporting requires more information than selling purely to the domestic market, then decentralization has an advantage. It allows individuals closer to the "coal face" to be involved in the decision-making process.				
6	Allocation of decision-making authority	The probability of delegation increases in case the manager's information quality is more important. In contrast, it is likely to decrease when the CEO's information quality is more important.	Harris & Raviv	Review of Finance	2005	
7	The tenuous trade-off between risk and incentives	1. When workers operate in familiar settings, firms are content with assigning tasks to workers and monitoring their input. In contrast, when the situation is not certain, they delegate responsibility (decision-making authority) to workers and constrain their discretion, base compensation on observed output. 2. Delegation is more likely to happen when more significant uncertainty exists about what the agent should be doing. 3. Uncertain environments result in the delegation of responsibilities, which in turn generates incentive pay based on output.	Prendergast	Journal of Political Economy	2002	

8	Authority and communication in organizations	1. A principal prefers to delegate control to a better-informed agent rather than communicate with this agent as long as the incentive conflict is not too large relative to the principal's uncertainty about the environment. 2. Principals often delegate authority to prevent poor communication.	Dessein	Review of Economic Studies	2002	

Table 3

Literature Review – Chaebols

No.	Name	Summary	Authors	Journal	Year	Country/source of data
1	Ownership structure, family leadership, and performance of affiliate firms in large family business groups	The ownership structure of the affiliate firm influences the likelihood that family leadership will be used. If the founding family has more direct ownership of the affiliate firm, the family will likely appoint a family leader in the affiliate firm. When the founding family has a greater degree of pyramidal ownership of an affiliate firm, family leadership will be less likely in that affiliate firm.	Chung & Chan	Asia Pacific Journal of Management	2012	Taiwan business group data from 1998 to 2004
2	Understanding the behaviour of business groups: A dynamic model and empirical analysis	Business group firms will be more profitable in terms of their profit-to-sales ratio and will have higher sales and assets, leading to faster growth, all other things being equal.	Cheong, Choo, & Lee	Journal of Economics Behavior & Organization	2010	Model analysis
3	Why do family firms switch between family CEOs and non-family professional CEOs? Evidence from Korean chaebols	1. Firms that switch to non-family CEOs exhibit an improvement in firm performance due to moving away from nepotism and entrenched family interests, which is positively associated with firm value. 2. No symmetric evidence is found for firms that go in the opposite direction, i.e., replacing non-family professional CEOs with family CEOs.	Kang & Kim	Review of Accounting and Finance	2016	Certain firms that are classified as chaebol-affiliated and regulated separately by the Korean Fair Trade Commission (KFTC)

4	Long-term evolution of the firm value and behavior of business groups: Korean chaebols between weak premium, strong discount, and strong premium	Chaebol-affiliated firms enjoyed various perks, notably tax shields, due to their great debt capacity in the 1980s, but their performance worsened because of substantial overinvestment in the 1990s. However, after massive restructuring following the 1997 Asian financial crisis, chaebols tried to reorganize unprofitable firms and correct overinvestment.	Lee, Kim, & Lee	Journal of the Japanese and International Economies	2010	
5	Chaebol, investment opportunity set and corporate debt and dividend policies of Korean companies	Chaebols are characterized by family ownership, political affiliation, and bank ownership, and these institutional arrangements encourage them to depend more on debt financing.	Gul & Kealey	Review of Quantitative Finance and Accounting	1999	
6	Agency problems and performance of Korean companies during the Asian financial crisis: Chaebol vs. non-chaebol firms	During the Asian financial crisis, chaebols with weaker corporate governance structures than those of non-chaebol firms showed worse performance due to the agent problem.	Kim & Lee	Pacific-Basin Finance Journal	2003	590 non-financial companies listed on the Korean stock exchange as of May 1, 1997
7	Linking corporate governance to firm behavior and performance: The case of Korean chaebols viewed as a leveraged CMS firm	1. “The chaebol is analyzed as a controlling minority structure (CMS) firm in which a shareholder exercises control while retaining only a small fraction of the equity claims on a firm’s cash flow.” 2. Chaebols are regarded as reducing agency costs of the hired management because the family controls the firm.	Lee	Managerial Finance	2002	

		3. The owner-managers of chaebols have absolute decision-making authority within the firm.				
8	The separation of ownership and control in East Asian corporations	The chaebol firms' family managers typically control all the group firms through pyramid structures and cross-holdings, even though their equity share is only a fraction of their cash flow.	Claessens, Simeon, & Lang	Journal of Financial Economics	2000	2,980 corporations in NIE, East Asian countries
9	Business groups in East Asia: Post-crisis restructuring and new growth	Business groups are in many countries. Conglomerates, business houses, keiretsu, and chaebols have a notable similarity: "unrelated product diversification under centralized control."	Chang	Asia Pacific Journal of Management	2006	
10	Changing the performance of business groups over two decades: Technological capabilities and investment inefficiency in Korean chaebol	Founding families' ownership of chaebol firms has been an obstacle to improving ownership structure and corporate governance.	Choo, Lee, Ryu, & Yoon	Economic Development and Cultural Change	2008	
11	The miracle to crisis and the mirage of the post-crisis reform in Korea: Assessment after ten years	In Western firms, principal-agent problems arise between hired management and shareholders, whereas in chaebol firms, the problem is between family managers and minority shareholders.	Lee & Lee	Journal of Asian Economics	2008	

12	Business groups in emerging markets: Paragons or parasites?	1. Between 1960 to 1990, the government rewarded chaebols with benefits of preferential credit and protection from foreign firms. 2. The government's beneficial financial system encouraged the diversification and M&As of chaebols’ diversification.	Khanna & Yafeh	Journal of Economic Literature	2007	
13	Ownership structure, expropriation, and performance of group-affiliated companies in Korea	“Controlling parties at chaebol firms use inside information to gain a greater equity stake and transfer profits from more profitable firms to others affiliated by intragroup trade. The agency problem is involved because the controlling party is a minority shareholder.”	Chang	Academy of Management Journal	2003	Korea Investors Service (KIS) database of 461 business groups as of 1996
14	Corporate ownership around the world	1. In countries with insufficient shareholder protection, large firms’ controlling shareholders are usually family managers. 2. Controlling shareholders control large firms through pyramidal structures (e.g., Samsung) and have more control than family managers’ equity share rights.	La Porta, Lopez De Silanes, & Shleifer	The Journal of Finance	1999	
15	Economic performance of group-affiliated companies in Korea: Intragroup resource sharing and internal business transactions	1. Chaebol firms benefit from the intragroup sharing of resources, including intangible and financial. 2. Chaebol firms use debt guarantees and equity investment for cross-holdings. 3. “Chaebol firms’ vertical integration reduces transaction costs and prompts the sharing of technological resources with the group.”	Chang & Hong	Academy of Management Journal	2000	43,874 observations of 569 listed companies and 3,483 statutory audited companies from Korea Information Service

Table 4 *Interviewee List*

	Age	Gender	Occupation	Chaebol experience (years)	Number of chaebol companies worked for	Business experience (years)	Interview date
1	40	M	Lawyer	8	1	15	12/11/2018
2	48	M	Executive	23	1	23	12/16/2018
3	48	M	Manager	16	1	21	12/17/2018
4	40	M	Manager	11	1	14	12/17/2018
5	51	M	Manager	20	1	24	12/19/2018
6	43	M	Manager	12	1	18	12/21/2018
7	48	M	Executive	24	1	24	12/22/2018
8	37	M	Manager	11	1	11	12/23/2018
9	49	M	Executive	17	1	25	12/25/2018
10	48	M	Team Leader	15	1	22	1/4/2019
11	48	F	Senior Manager	20	1	20	1/4/2019
12	56	M	Executive	28	3	28	1/7/2019
13	52	M	Executive	26	1	26	1/8/2019
14	43	M	Manager	18	1	18	1/8/2019
15	45	M	Manager	8	2	23	1/8/2019
16	46	M	Manager	7	2	21	1/8/2019
17	43	M	Manager	19	2	19	1/8/2019
18	43	M	Manager	19	1	9	1/13/2019
19	44	M	Manager	19	2	12	1/20/2019
20	42	M	Manager	17	1	14	1/20/2019
21	37	M	Manager	13	1	13	1/21/2019
22	40	F	Manager	20	1	20	1/26/2019
23	44	M	Manager	18	1	18	1/26/2019

24	39	F	Manager	15	1	15	1/27/2019
25	49	M	Manager	24	2	24	1/27/2019
26	39	F	Manager	14	1	41	1/28/2019
27	43	M	Manager	11	1	19	1/28/2019
28	44	M	Manager	19	1	19	1/30/2019
29	44	M	Manager	19	1	19	2/1/2019
30	43	M	Manager	21	1	21	2/8/2019
31	37	F	Manager	12	1	12	2/13/2019
32	53	M	Team Leader	27	1	27	2/20/2019
33	61	M	CEO	33	1	36	3/14/2019
34	43	M	Executive	19	2	19	8/1/2019
35	47	M	Team Leader	20	1	20	9/1/2019
36	45	M	Senior Manager	19	1	19	9/1/2019
37	42	M	Manager	16	1	17	9/2/2019
38	37	F	Manager	5	2	19	9/17/2019
39	42	M	Senior Manager	16	2	16	9/17/2019
40	46	M	Executive	19	2	21	9/18/2019
41	56	M	Team Leader	27	1	31	9/25/2019
42			2^{nd} Interview				9/25/2019
43			2^{nd} Interview				9/27/2019
44			2^{nd} Interview				9/28/2019
45			2^{nd} Interview				9/30/2019

Table 5

Data Analysis Structure

Representative Supporting Data for Each 2nd-Order Theme	
2nd-Order Theme	Representative 1st-Order Data
1. Stagnation or decrease in non-family managers' decision-making authority	Executives these days are doing what team leaders (subordinates) used to do. In the past, team leaders' decision-making authority was great, but it is not so great anymore. As team leaders lose their power, team members also have less decision-making authority and autonomy.
	If you compare the same job position, decision-making authority has decreased. Employees must report even the most insignificant matters. This is simply because the boss does not understand the business well or because he or she is new. HR keeps shuffling people to new positions.
	The company used to hire many new employees who were young and who had just graduated from university. There were many young workers in the company, but the company stopped hiring so many new employees at a certain point. Therefore, young employees continue to do the same thing, even years later, when they are not so young. When they are promoted to a manager position, they still have to do what they had to do as a young associate.
	Sales revenue increased in the same business domain. The business grew with the same products, and the business became globalized. The company hired more people to handle this business (with increased scope). However, the number of people who make critical decisions did not change. If it was three people 10 years ago, then it is still three people today.
	There are more people (because the company grew), and people have less decision-making authority because superiors intervene in decision making. People are hesitant to make any decisions and just follow the pack.

	I do not believe the decision-making authority of each employee decreased due to company policy. However, the key factor impacting decision-making authority is whether bosses expect subordinates to report to them. When the general expectation is to report, people who must report seriously damage their decision-making authority and autonomy.
	When the economy was expanding, the company used to hire many people. Work went to the new hires, and existing employees progressed toward higher positions. In the mid-2000s, restructuring started, and people were laid off from time to time. The new concept of a “field-manager-type team leader” was introduced. Team leaders’ role is no longer just making decisions. They are involved in all the routine work, which previously they did not have to be concerned about because the team leaders are no longer just ‘seniors’ but coworkers.
	When management descends to the succeeding generations (of family managers), the second generation is not as good as the founders, and the third generation is weaker than the second generation. Therefore, heirs do not have a grip on the actual business, not to mention leadership. (For the family manager,) anxiety grows, and it leads him or her to take back delegated decision-making authority and concentrate it in the top management team—that is, the family manager and his or her friends. They become the head of chaebols not because they are qualified and have proven themselves but because the position was handed down from their father or uncle. They join the company and get promoted to senior executive vice president in two years. Because of their lack of business experience, they are still unprepared and unpolished, so they try to protect themselves by retaining decision-making authority and surrounding themselves with loyal vassals.
	Senior managers’ decision-making authority has decreased, and authority has been shared by several teams. It used to be one team’s responsibility, but now, the responsibility goes to two teams, and then, a position is made for the executive above. #1
	Companies prefer generalists compared to specialists. Therefore, everyone changes positions; for example, managers move every 3 to 5 years, team leader move every 3 years, and executives move every 3 years. We are not in the IT business, and thus, we do not need a specialist. #2

	As a firm grows, decision-making authority decreases. Executives do what team leaders used to do and are even more involved in hands-on work. #2
	Sales revenues have increased, but the business scope of each employee has not increased much. #2
	Justifying an executive position requires a certain number of team leaders below him or her. Therefore, they make more teams. #2
	The important requirement as a CEO is managing political relations and management in general or, in other words, being a generalist. #2
	They inflate the organization to make new decision-making positions, while the business itself does not grow as much. #2
	Promotion is only a psychological reward so that individuals can tell others that they became more powerful persons. Promotion motivates people. #3
	Comparing the same business titles, managers today have less decision-making authority than managers in the past. #3
	Decreasing the tiers of reporting moved mid-level managers out of the chain of reporting. Consequently, mid-level managers lost their decision-making authority. #4
	Managers in the past 'really' managed people. Being a manager today is in name only. There are no differences between associates and senior managers in regard to their role and function in a firm. #5
	When firms grow, they implement 'system management,' which makes them believe that the CEO does not have to be an experienced person. #5
	To reduce risk (in decision making), more people start to become involved in decision making. #6
	Managers' decision-making authority in the past was as powerful as executives' decision-making authority of today. #6
	A frequent change in positions proves that 'anyone can do it' and makes it common in the firm. Non-family managers can be replaced anytime. #6
	Sales revenue increased, but the business scope remained the same, so non-family managers' decision-making authority decreased. #9

	When an organization grows, management starts to believe that restriction/control by staff teams is required. Once they start this process, they hardly soften it. #9
	The senior manager used to be a very high position, but when I resigned in 2013, senior managers were so common and everywhere. #10
	Preventing the risk of decision making by individuals, the authority has been transferred to the system and group. #41
	I could do it first and then report later within my decision-making authority. However, it has to be reported in advance regardless of now. #14
	The size of the team members decreased sharply. If it was 10 then, then it is 3 today. It enables more frequent communication between the team leader and team member. The team leader is further involved with team member business, as they know more than before. #14
	They do not think each individual (employee) makes a difference in business so they can change people. #15
	The efficiency of a firm increases with dispensable employees. #16
	Managers in the past used to have more decision-making authority. Business titles today are in name only. They do not have as much decision-making authority. #17
	The level of people who handle hands-on work is becoming increasingly higher in the firm. #17
	Efficiency in terms of the number of people has increased, whereas the efficiency of business output has not increased. #17
	After working for chaebol firms for years, I have found that my decision-making authority has decreased, as it has been shared with other business units. #19
	Using generalists lessens dependence on a small number of specialists, so it is more favorable for management. #20
	A generalist makes a company depends less on individuals, which is referred to as system management. Less dependence on individuals enables decision-making authority to move upward. #21
	Every employee (non-family manager) became a hands-on worker (regardless of job title). #23

	Even though it is within my decision-making authority, I am to blame if I do not report it (to the upper level of a firm) beforehand and take responsibility for not reporting beforehand. #23
	It is covered as ‘internal communication’ and requires reporting on every matter. How much should I report? To whom should I report it? We (non-family managers) lose confidence in our decision-making authority. #23
	As long as the firm has a stable business platform, anyone can conduct the business. #23
	All my friends at chaebols are all senior managers without exception. #25
	Because family managers will not change or leave the firm and give orders to non-family managers, whoever takes the position below, they (family managers) would think it is okay. #27
	Management does not think employees add to the growth of a firm. Employees are parts of the large machine, a firm. Therefore, management does not relate to a firm's growth and the growth of employees’ decision-making authority. #28
	As the business grows, they (staff organizations) attempt to manage all possible risk and to investigate all decision making. Consequently, the larger the business grows, the less the delegation of decision-making authority happens. They take this authority for granted in earning more profit and want to control factors that might influence business. #28
	Non-family CEOs (who report to family managers and chairpeople) do not have much to do. They have never developed new businesses or proven themselves. There are many people within a firm who can replace them. #28
	Pressure exists within a firm in which employees (non-family managers) have to be promoted. There are so many people who are looking for promotions. #28
	Decision-making authority does not increase as much as a firm grows, or the number of employees increases. #29
	Non-family managers, especially those who have been waiting to receive a promotion, are frustrated because the positions that used to have power (decision-making authority) are disappearing, and the power goes up to the higher level of the hierarchy. They have lost their goal that they kept in mind for years. They feel a sense of loss. #29

	We are greatly demotivated. All businesspeople joining chaebol firms have a common goal: promotion to a higher position such as team leader or executive. Now, those in these positions have to do hands-on work without the decision-making authority they used to have. #29
	When I was a manager, I could make decisions myself for most of the routine works. Now, as a team leader, I cannot make decisions as much as I could as a manager. #32
	I resigned as CEO (non-family CEO) because I did not have the corresponding decision-making authority. #33
	Chaebols (family managers) might think that the CEO needs to manage subordinates and that an in-depth knowledge of products and business is not important. #33
	With systemization, the decision-making process has to go through the system. Therefore, the decision-making authority of individuals has decreased. #34
	Executives' decision-making authority today is close to that of senior managers in the past. #36
	Promotion and business titles are only important for printing on a business card and are just emotional rewards for people (non-family managers). It is difficult to feel a sense of achievement or true reward from promotions. #41
	For example, the title' group head' means nothing because there is no group, and he or she is not even a head. #41
2. Reinforcement of family managers' decision-making authority	Family managers' children receive swift promotions (in a firm) without effort or achievements. Eventually, family managers' children reach a position that has HR decision-making authority. #3
	If a BOD is formed through the consent of shareholders, then the BOD can object to family managers' opinions but is still under family managers' control because BOD members are selected by family managers. #6
	Chaebols have an organization structure that reports what is happening inside chaebol firms directly to family managers. This approach is to avoid information asymmetry among family managers. #8
	If a non-family CEO's tenure is too long, it could be a challenge to family managers so they may control the tenure of the non-family CEO so that it does not become too long. #8

	Family managers have absolute power within a firm. #14
	Family managers maintain imperial power within a group as usual. #17
	Chaebol firms are organizations that exist between family managers and non-family managers. This type of organization has significant power and makes direct orders to non-family managers. The purpose of this organization is to preserve family managers' power and influence within a group of companies. #17
	Only owners (family managers) can make investment decisions such as those involving M&As. Only chairpeople (family managers) can make decisions regarding billion-dollar-sized investments. Such decision making is impossible for non-family CEOs. #18
	They (family managers) still have the greatest power within a group of firms. They do whatever they want to do. #18
	They (family managers) want to be kings, not just rich. They want to be Mr. President of chaebol firms so they can make rules and decisions and change anything to be just as they want. #19
	When family managers are in jail, they say it is a threat to a firm, as important decisions are being delayed. When he or she is in jail, they cannot make decisions regarding M&As and investments. Why? Then, there will be a good cause to get him or her out of jail. #19
	There are conflicts of interest between family managers and non-family CEOs, so family managers decide to be CEOs themselves. #20
	Family managers' children receive swift promotions (in a firm) without effort or achievement. Eventually, family managers' children reach positions that have HR decision-making authority. #22
	When considering the ethical aspect, it is obvious that family managers do not take responsibility for what they do wrong. However, there is no countermeasure for this behavior. #22
	All the key decisions are made by the pinnacles (family managers) of chaebol firms. #23
	Non-family CEOs are not independently making decisions but instead have to follow family managers' intentions because family members have the right to fire him or her. #27
	Family managers have no limit to their decision making. Only they can make large decisions such as those involving M&As. #29

	Family managers do not want to give up their shares and control of a firm because they can have a tremendous amount of decision-making authority with those. They enjoy it and are not willing to give it up. #29
	Officially, the top committee makes decisions, but, in fact, the chairpeople (family managers) are behind the decisions. #39
	Decision-making authority decreased a great deal laterally but not vertically. #32
	They (family managers) know that the BOD is not functioning properly. If they (family managers) leave a firm and non-family CEOs manage the firm, then they (family managers) are afraid of the risk of wrongdoing by management because they know the problem of the BOD.
	They (family managers) have omnipotent decision-making authority for spending, budgeting, and HR. With this authority, they can run a firm as they wish. Everyone (non-family managers) has to follow their (family managers) lead. #40
3. Segmentation and fragmentation	The reason that they increased the number of business teams is to create more executive positions; they needed to justify these positions. When you are an executive and have two team leaders report to you versus four team leaders, that is very different. It is about vanity and selfishness. I wonder how come the company suddenly needs this many teams, compared to five to 10 years ago. How can they justify it only on the basis of business needs?
	It is important to evaluate the performance of executives—how much they expanded the organization; in other words, how many managerial positions they created is a very critical fact when evaluating their performance.
	The reason for segmentation (of decision-making authority) is the hedging of risks. In a chaebol company, if too much decision-making authority is held by a small number of people, then the company could be swayed by those people, so the company fragments decision-making authority and shares it among a larger number of employees. From the family manager’s point of view, now he or she has more people to help him or her make better business decisions and hedge risks, so his or her position is better and stronger than before.

	After the business is divided among many teams, the company cares less about HR development. Whether employees adapt to the new environment or leave the company, they do not care. Decision-making authority decreases for each individual.
	Executives try to strengthen their position by expanding the organization below them, making more positions for people who are loyal to them. To do so, they make more teams and subunits, which justifies having more team leader positions. Consequently, there are more team leaders and more teams, but there is not enough business to justify these positions and new teams. Therefore, there are new team leaders with less work and less decision-making authority.
	If there is a stable business platform, then the firm believes that it can continue to function no matter who is working for the firm. The firm is focused on how to control and check these people. For this reason, the administration departments are getting stronger.
	There are fields that require specialization that comes from experience, such as law, government relations, and so on. However, in the petrochemical industry, the company does not see much value in specialization. The company would rather segment employees' functions and make it easier to replace people. If work is fragmented and does not require specialization, then the company can replace employees, and the new people can soon adapt to the new work.
	Making 5 teams to 10 teams by splitting the same number of people is still a good thing for the executive who receives the report from the 10 teams because he or she has more options than before. #1
	(After segmentation,) it is difficult to say it became more efficient because it takes more time to make decisions, and people with the ability who used to make decisions now have to wait for decisions (by others). #3
	Family managers frequently change executives to maintain tension within the firm and make non-family managers be loyal to them. #3
	Management feels safer when splitting decision-making authority among more people rather than concentrating it with one person. #6
	Segmentation made each employee's role and responsibility clearer and made it easier to replace people. #8

	It is for increasing business efficiency. When who is responsible needs to be found, especially when there is a loss, it is easier to identify who to blame. #12
	To make team leader positions, promote people to these positions, and add executive positions, they made more teams. #14
	Decision-making authority segmentation is for risk hedging regarding making the wrong decision. #19
	Functional segmentation makes employees perform simple repetitive tasks, and the decision-making function moves up to the higher level of the hierarchy. #22
	Growing an organization and creating more supervisor positions are regarded as the most important performance indicators within an organization. #23
	As employees have higher seniority, management has to provide them with moral support. For that, they have no choice but to make more teams (to promote employees at supervisor positions). #29
	When the top managers (family managers) were in jail, they were afraid of non-family managers ruining the business. Therefore, vigilante groups were formed. They audited non-family managers and never accepted mistakes and business failure, thus firing many people. #33
4. Information asymmetry and the agent problem	In reality, in chaebol companies, family managers have most of the information, and this truly causes information asymmetry. Due to frequent changes in staff, executives, and CEOs, the chaebol company system, such as the mafia, requires extreme loyalty to top management, which consists of family managers and the small group of people who cannot turn their back on family managers; these people do not share information, not even with other top-class management (who are not family managers). This situation is the opposite of that of the agent problem. Employees have to show absolute loyalty to top management. which often goes against shareholders' interests.
	To avoid the agent problem, they change executives regularly. This causes a lack of specialization. A lack of specialization allows for more interference from those in control. More control decreases the decision-making authority and autonomy of (non-family) managers.

	The founder of the chaebol understood the business from A to Z. If there was a top management group below him, then the founder was not much concerned about management's agent problem because he or she knew everything. Now, it is different. They (second- or third-generation family managers) have to change CEOs regularly because they do not have the knowledge and power that the founder had.
	Family managers enjoy information asymmetry. #17
	Family managers do not share the information they have. Non-family managers do not know the information they each have. #27
	Our group changes executives periodically to prevent the agent problem. #28
5. Chaebol characteristics and socioemotional wealth	There is no counterbalance for family managers. Family managers in foreign companies are held responsible for business results. However, chaebol family managers are not held accountable. The ownership and company control are separate in many foreign companies, but in chaebol companies, without exception, the founding family shareholder has control of the company.
	Hereditary wealth is the first reason (for transferring company control to the next generation). In fact, you can manage at least 10 times more money than what you have in your pocket (if you have control of a chaebol). Apart from money, if you consider the perspective of power, rich people can inherit one billion or 10 billion dollars, but the control of companies is absolute power. Why would they not want to pass such control on to the next generation? Imagine that someone made 10 billion dollars in shadow banking. Can he or she compare his or her social status to that of the leader of a chaebol?
	Family managers make decisions from a long-term perspective, such as 20 and 30 years ahead. However, non-family CEOs make decisions based only on the term of their contract. When Samsung decided to invest in the semiconductor business and when SK acquired Hynix, if it was not for family managers, then these businesses and acquisitions would not have taken off. Only family managers can make paradigm-changing decisions for the company.
	Non-family managers do not care much about the succession of company control to the next-generation family manager. To do so, the non-family manager has to prioritize working toward the interest of family managers. To transfer company control to his or her sons and

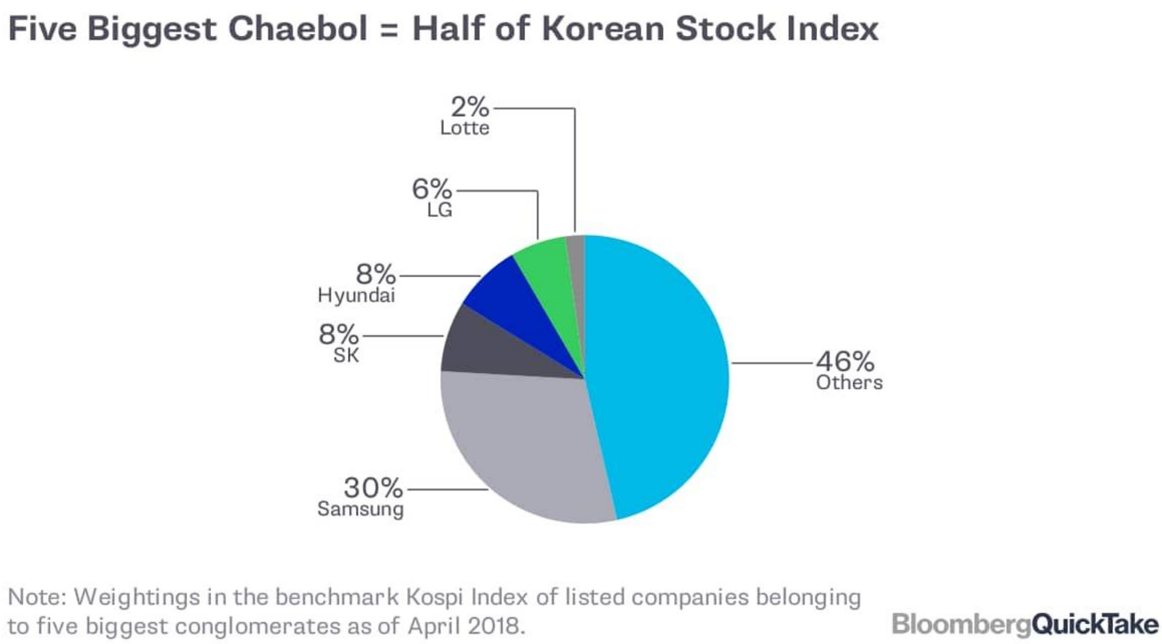
	daughters, the family manager has to control the company; otherwise, it is difficult to hand it down to the next generation.
	They want to be similar to kings. They want to be the absolute leaders of the group of companies. They want to be involved in politics by networking with politicians and high-level government officials and enjoy their social status. They want to live similar to kings and do not just want to be rich.
	(When non-family managers went to jail for the business,) they believed that they were innocent but went to prison for the company. They felt that they went to jail instead of family managers. When they were released and came back to work, they were regarded as people of loyalty. People say that these individuals will get promoted and will stay in the company for years, at least five years.
	Investment in the electric car battery business has been unprofitable for years since its beginning. I am wondering if this is for financial purposes or for making it easier to split the company between 2 family managers. #2
	Family managers choose BOD members as they like. #2
	It became less effective because of HR decisions and building an organization with the consideration of protecting family managers' control of a firm and succession to the next generation. #3
	Family managers' top priority is maintaining control of a firm and handing it down to the next generation. #3
	The top priority of my company is completing the succession of company control to the 3rd generation of family managers within 3 years. #19
	They appoint their children as CEOs for the daughter companies, give business to those companies, and then attempt IPOs. #20
	An omnipotent organization serves the benefit of family managers. #21
	This is a matter of trust. Whether family managers can trust non-family managers with the control of the firm would work to the benefit of family managers. Even family managers have conflicts between siblings. My group (of chaebol firms) split into several minor chaebols due to a fight among brothers. #22

	Family managers have control of a firm by using structure (such as shareholding) but do not have much in cash (so they want to receive a paycheck from the firm).
	Internal affairs and correction functions are all for the benefit of family managers. In a chaebol firm, every decision is made with the consideration of family managers' benefits. Of course, this is not said outward. #23
	Vassals and staff of family managers feel indebted when family managers go to jail. Family managers would think they were in custody because the people below them did not serve them properly and were supposed to prevent family managers from going to jail. #23
	When family managers go to jail, many teams in a firm lose face because the wrongdoing is not solely done by the family manager. It is designed, reviewed, and cooperated by teams within a firm. #23
	For the electric car battery business, we have invested billions of dollars for 13 years now. We have been losing money since the beginning. However, people say 'He or she (family manager) likes it. He or she is into this business', and that is it. #27
	Chairpeople (family managers) suggest new business key words every year. All non-family managers have to follow the changes accordingly. #30
	Confucian influence is that chairpeople (family managers) have the highest social status within chaebol firms. #32
	The founder has absolute control of the firm. As it has been handed down to younger generations, the level of decision-making authority has diluted. #34
	The founder and 2nd-generation chairpeople did not prioritize earning profits and valued benefits for the company, making trustworthy relationships with partners, and keeping promises. However, when banks shared the ownership of the firm, they prioritized business profit no matter what. #34
	Chaebol owners (family managers) tend to think that non-family managers are their vassals or pawns. Non-family managers have to attend and work for the founder's family's event. #39
6. Family managers preferred by non-family managers	If family managers do not have control of chaebol firms, chaebol will split and lose their competitiveness as a group. To maintain this competitiveness, family managers should continue to lead chaebols. #9

	In the 1990s, we lost money from the semiconductor business 10 years in a row. Without family managers' decision to keep investing in the business, we could not possibly succeed in the semiconductor business. #11
	Non-family CEOs do not care much about the succession of the control of the firm to next-generation family managers, so family managers have to be CEOs themselves. #17
	Family managers can hand down control of a firm to the next generation at a lower cost by using controversial methods when they have control of a firm, which is an inexpensive way to inherit wealth. #17
	We like the family manager in general. He made the right decisions after the Asian financial crisis and helped the group prosper more. #18
	Family managers make business decisions with the viewpoint of 20 years, while non-family CEOs focus within their tenure of 2 to 3 years. #18
	In a chaebol firm, family managers make important decisions, but my current company does not have such a decision-maker. It seems more democratic but takes a longer time for decision making. #20
	Non-family CEOs are not always the best. They focus only on the short term of 3 to 4 years, whereas family CEOs have a long-term view, so employees feel more stable with family CEOs. #26
	Do you think Samsung would make an investment in the semiconductor business if it had a non-family CEO? #25
	It is good for family managers to consider 20 or 30 years in the future when they make decisions because non-family managers want to work stably for a long time in a firm. #27
	Changing to non-family CEOs (from family manager control of a firm) would make non-family managers face difficult because there would be many changes, a chance of restructuring, etc. Even though family managers have gone to jail, it has not affected my business. #27
	Family managers are more likely to feel responsible for and want to make a firm prosper and attached to a firm more than are non-family CEOs. #29

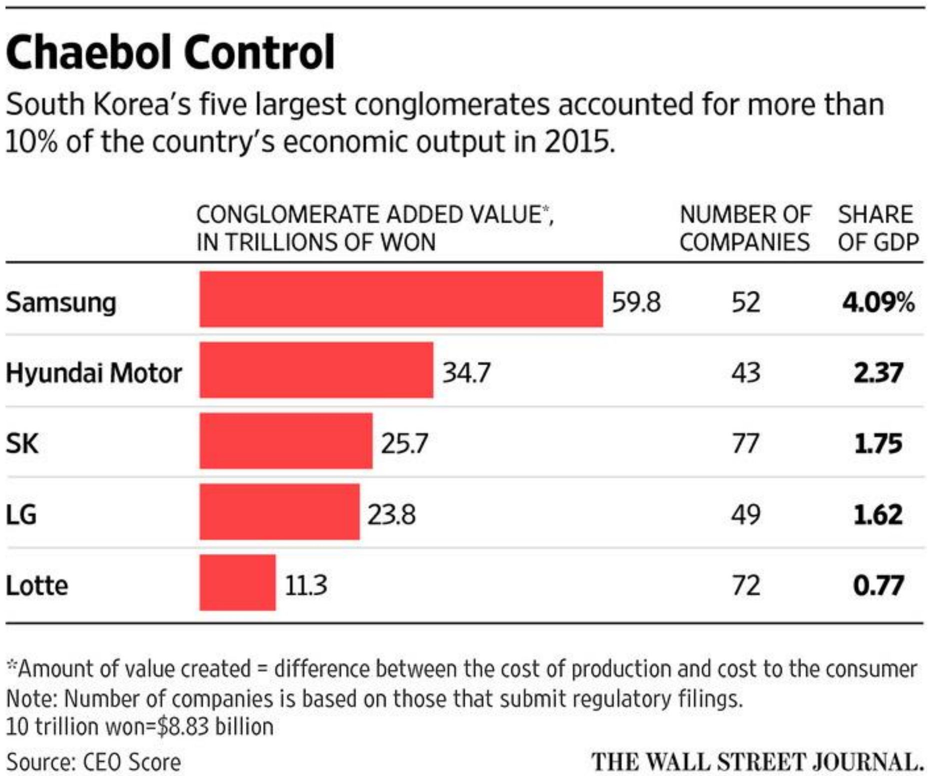
	No one can take responsibility more than him or her (chairperson and family manager). It gets worse when non-family CEOs overdo it only to keep their jobs. He or she (family manager) does not have to overdo it to keep his or her position. #35
	Chaebol firms managed by owners (family managers) have ‘owner risk,’ which happens when owners are absent from management. This risk is greater than when chaebols (family managers) manage firms on their own. #36
	When chairpeople (family managers) return to their positions (from jail), the tension within the chaebol group loosens, and people are in better moods. These chairpeople are the most senior members of the group. #37

Figure 1. Five Largest Chaebols



Note. Reprinted from "South Korea's Chaebol, by Pae, P. (2018, October 5). Retrieved from https://www.bloomberg.com/quicktake/republic-samsung

Figure 2. Chaebol Control



Note. Reprinted from "South Korea names 'Chaebol sniper' to watchdog role," by Martin, T. (2018, October 5). Retrieved from https://www.wsj.com/articles/south-korea-names-chaebol-sniper-to-watchdog-role-1495020959

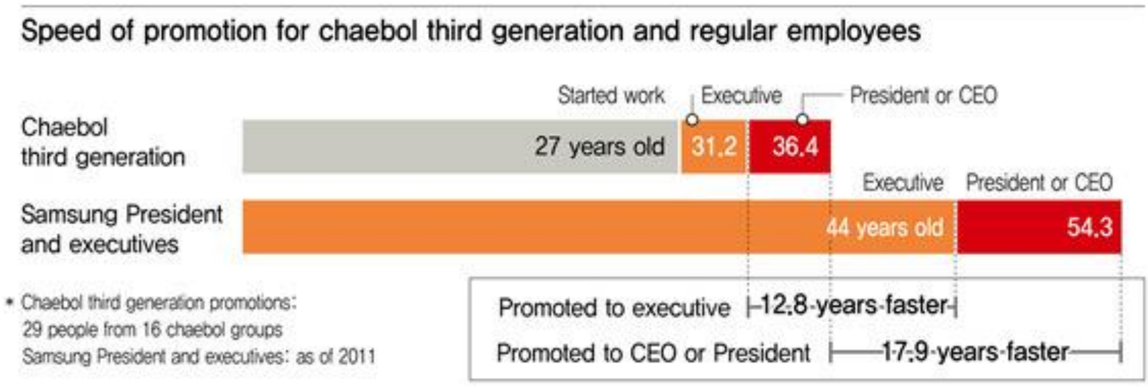
Figure 3. Common Korean Company Titles

Common Korean company titles

- **Hoejang** (chairman)
  Unless you work in a small company, you are unlikely to meet him or her in person.
- **Sajang** (president)
  Sitting at the top of the executive board, the sajang oversees company operation or heads a certain business unit. In smaller companies, sajang often doubles as the CEO.
- **Jeonmu** (executive vice president or executive director)
  Jeonmu is usually the head of the finance department. This person is the third most senior level in the hierarchy.
- **Sangmu** (managing director)
  The title of sangmu is mostly given to senior level directors with more work experience than isa.
- **Isa** (director)
  An isa is a director-level person. It is the rank with the lowest level of seniority in the executive board.
- **Bujang** (team leader)
  The bujang or teamjang, is the most senior figure that employees will be in contact with frequently. A bujang is the leader of a team within a department, and usually has more than 10 years of work experience.
- **Chajang** (deputy team leader)
  Just below the bujang status, chajang has similar seniority to bujang but with less experience or tasks.
- **Gwajang** (manager)
  Gwajang usually has about five to seven years of work experience. There are often multiple gwajang per team to lead projects.
- **Daeri** (assistant manager)
  With at least four years of experience, a daeri has no real authority but is expected to pull off projects better than a sawon.
- **Jooim** (assistant manager)
  Although not all companies have jooim, they are usually the next level up from being a worker with no title. Sometimes employees with masters or doctorate degrees are automatically given this rank.
- **Sawon** (regular staff)
  Sawon is an official member of the company that has passed through an internship or basic training.
- **Sinip sawon** (new employee)
  First year newbies are the lucky ones who survive the open recruitment competition.

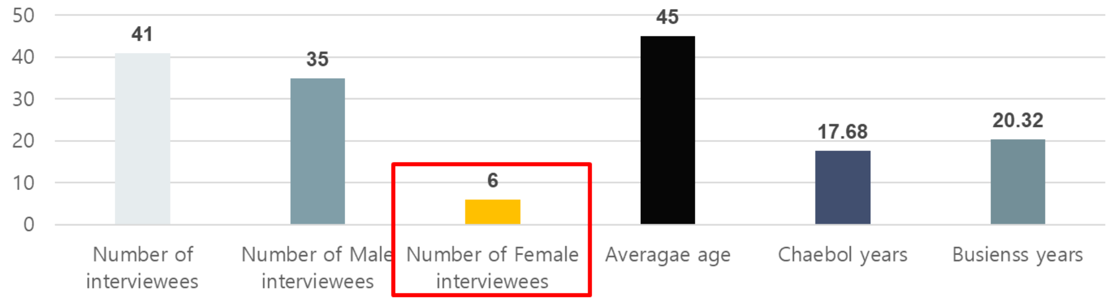
Note. Reprinted from "Korean companies seek to drop job titles," by Kim, D. (2016, Apr 5). Retrieved from http://www.koreaherald.com/view.php?ud=20160405001029

Figure 4. Speed of Promotion for Third-Generation and Regular Employees of Chaebols



Note. Reprinted from "[Special report – part II] Succession at European companies holds lessons for South Korea's chaebol," *by Kwak, J. (2014, December 16). Retrieved from* http://english.hani.co.kr/arti/english_edition/e_business/669337.html

Figure 5. Interviewee Analysis



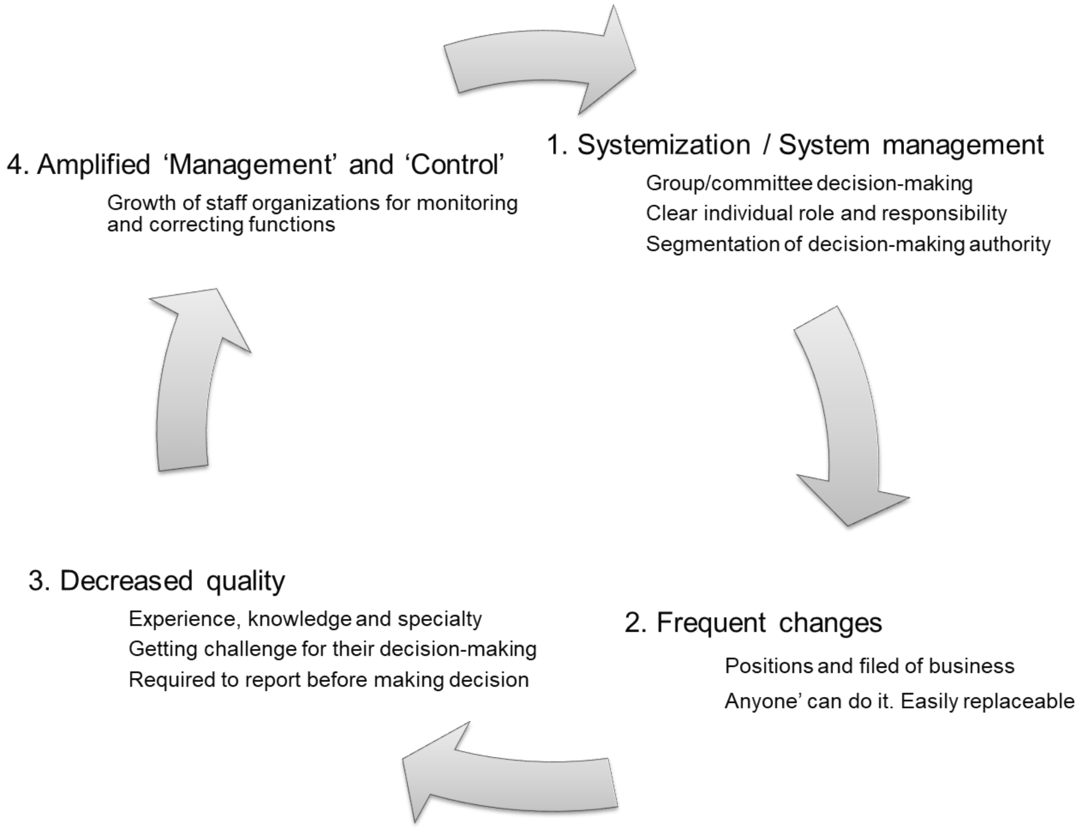


Figure 6. Decision-making Authority Decrease: Risk-hedging Motive

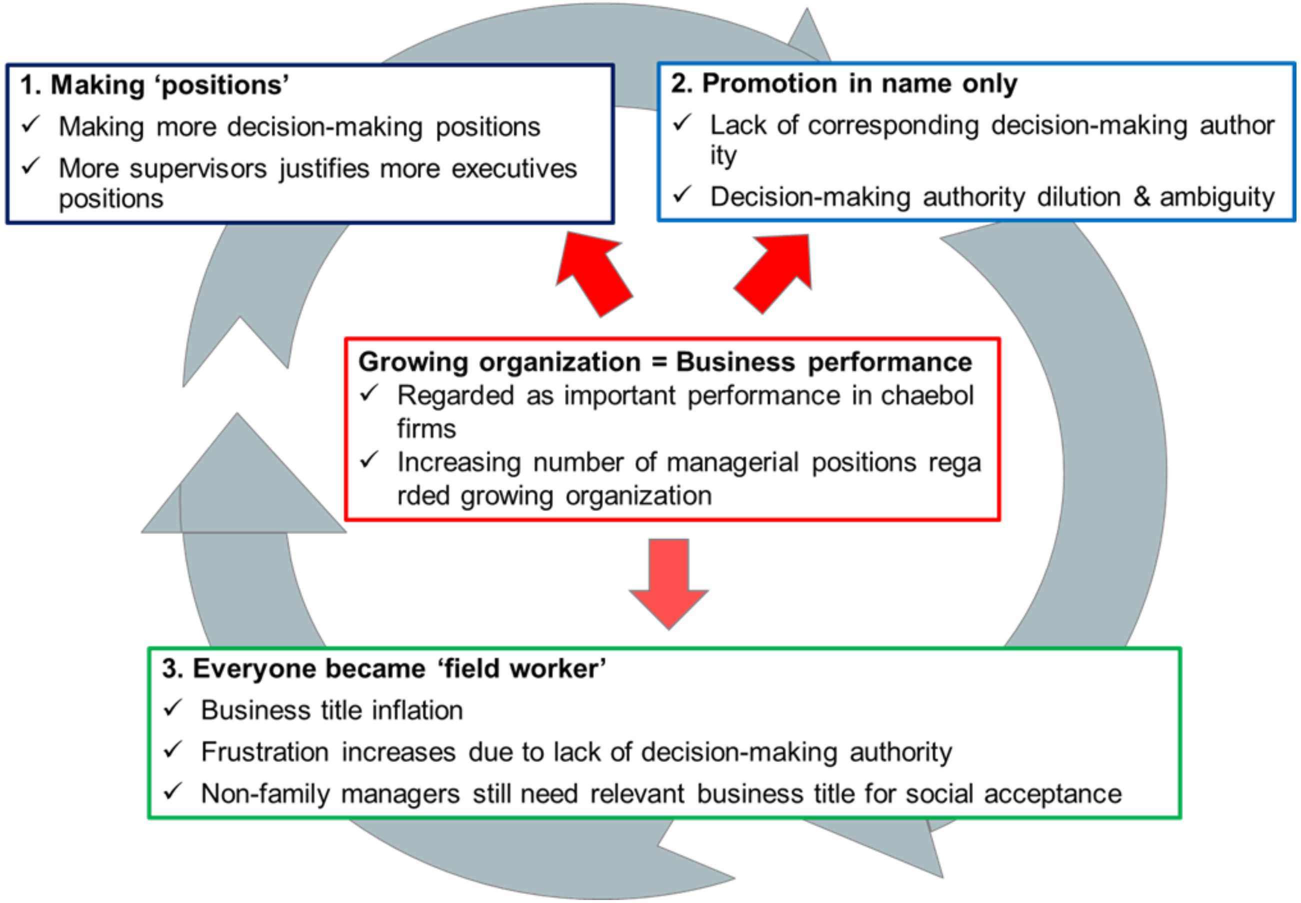


Figure 7. Decision-making Authority Decrease: Social Acceptance Motive

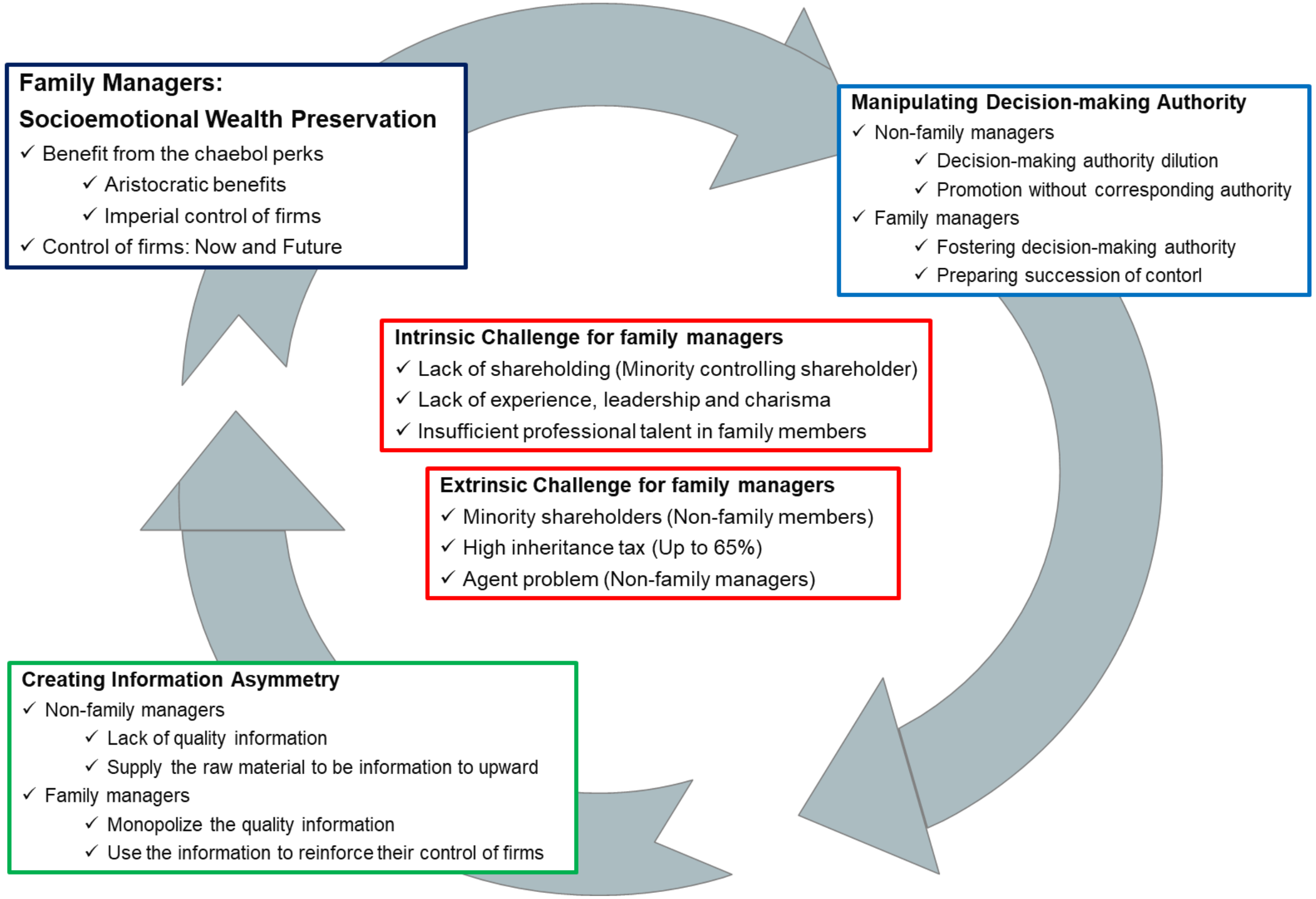


Figure 8. Socioemotional Wealth Preservation Chain

Appendix: Interview Protocol

The protocol for the interviews followed a four-step process.

Step 1: The interviewer explained in detail the purpose of the interview and the issues related to the confidentiality of the research.

Step 2: Each chaebol manager and executive followed a semistructured format using a predesigned interview guide. Interviewees were asked the following open-ended questions.

1. Please tell me whether the company or companies grew in terms of business profit, sales revenue, and headcounts.

2. How did decision-making authority change during and after the growth of the company or companies?

   2-1. How does the decision-making authority of his/her business title compare to the same title in the past?
   2-2. How has your decision-making authority changed during your tenure with growing seniority and receiving promotions?

3. How did decision-making authority change in regard to family managers?

4. Have you ever had the impression that the company prioritizes fortifying the family's control of the firm rather than the financial aspect of the business?
   4-1 Have you ever had impressions that your firm is being managed in favor of the founding family's interest as a priority?

5. How do you see the information flow, distribution, and policy within the firm?
   5.1 How is the information symmetry between family managers and non-family managers?

6. How do you think the chaebol sustains its comparative advantage?

7. Why do chaebol family managers think highly of socioemotional wealth, particularly the transfer of management within the companies?

Step 3: All interviews were recorded and then transcribed within 1 week of the interview date.

Step 4: Interview transcripts are used for data analysis.