



When Gender Inequality Controls Whole Organisations

When cultural traditions and interpersonal relationships coincide, businesses start acting in irrational ways.

The world knows that Samsung, LG, and Hyundai are based in South Korea. Relatively few outside Korea, though, grasp how massive they actually are – did you know, for example, that Samsung encompasses **more than 70 “affiliated companies”** involved in everything from fashion to healthcare? These three firms are among Korea’s biggest *chaebol* – family-owned conglomerates whose internal diversity and mass of incestuous affiliations have no precise analogue in the business culture of any other nation. The *chaebol* were largely responsible for pulling Korea out of poverty in the latter half of the 20th century, and they continue to exert a titanic influence over the country.

This raises an interesting question: How far does the “Korean-ness” of the *chaebol* extend? Since we know that each one is ruled pretty much unilaterally by its founding family, how relevant are Confucian ideas about family life to understanding how *chaebol* behave in the business environment?

Quite relevant, as we found when doing research for a paper recently published in *Academy of Management Journal* (JungYun Han of National Taiwan University and Andrew Shipilov, INSEAD Associate Professor of Strategy, and I wrote the paper). Applied beyond the Korean context, our findings suggest that the line separating business

strategy from cultural and interpersonal influences is largely illusory.

Chaebol family values

Confucian values place men in a privileged position within families. Upon marriage, a woman separates from her own family, surrendering her inheritance along with the responsibility to care for her parents as they age. By accepting her as a bride, the husband’s family is thought to have done a “favour” for the wife’s family, which they are obligated somehow to repay. This places the wife’s family in a submissive position as the wife establishes a place for herself in the new household.

Korea has arguably veered away from undiluted Confucian culture in recent years, but the conglomerate owner-families have been classed among the country’s conservative holdouts.

Add to the above, the fact that *chaebol* owner-families often intermarry – just as business families the world over have always done, with full awareness of how such ties can boost cooperation and information exchange between companies. We wanted to determine whether marriage ties between *chaebol* introduced a Confucian-style dynamic whereby the “husband’s *chaebol*” (meaning the

conglomerate owned by the husband's family, in which the husband himself is generally a junior member) lorded it over the "wife's *chaebol*".

Market entry and exit

The mind-boggling diversity of the *chaebol* entails a fair amount of market-hopping. To examine how inter-*chaebol* marriage ties affected market entry and exit, we traced the composition of the owner-families behind Korea's 60 biggest *chaebol* over the period 1987-2011, juxtaposing it with data on the *chaebol*'s presence in various industry markets during the same years, as reported by a leading credit agency.

We also interviewed Korean executives and journalists to verify our theories.

The lopsided picture that emerged would make no sense to those unfamiliar with the Confucian dynamic. We saw that the husbands' *chaebol* were, after marriage, more likely to enter markets where the wives' *chaebols* were already present. Far from trying to repel the invasion, the wives' *chaebols* seemed to step aside and make room, despite the business threat posed by the husbands' entrance.

In addition, wives appeared to help their husbands exit markets with resources intact, whether by buying up their assets (factories, distribution networks, etc.) at non-competitive prices or by not teaming up with other firms to take advantage of the fragile state of retreating husbands' firms.

Nothing here would be particularly out of the ordinary, if there were reciprocity in these relationships. But this was emphatically not the case: The wives' *chaebol* seemed timidly to refrain from entering markets where their husbands had established a foothold. In markets where both spouses were present, the wives stayed close to their husbands, letting them be the ones to exit if they chose.

Our interviewees confirmed the observed gender dynamic was rooted in Confucian values. "If in-law families have some conflicts, the odds are always against the wife because she becomes a part of the husband's family," one said. "That's why even when a wife's *chaebol* sees some potential economic benefits from marriage [i.e. through the opportunity to enter new markets], they hesitate to exploit it."

Interpersonal "Trojan horses"

The behaviour of the *chaebol* has implications for all organisations. The business world is thick with cross-organisational ties mixing the professional and the personal, as when ex-schoolmates broker a collaborative relationship between their respective

firms. While such ties are unquestionably valuable, they can also be "Trojan horses" through which status hierarchies – which often have a cultural dimension – can sneak into business behaviour. For example, strategic alliances built around board interlocks can be unbalanced by a high-status board member throwing his weight around and eliciting deference from other directors.

As the *chaebol* prove, interpersonal ties can even influence interactions between firms that directly compete with one another. Therefore, it's always naïve to talk about business competition as something removed from its social and cultural context.

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