

# Social capital among corporate upper echelons and its impacts on executive promotion in Korea

Yangmin Kim<sup>a,\*</sup>, Albert A. Cannella Jr.<sup>b,1</sup>

<sup>a</sup> School of Business Administration, Sogang University, Seoul 121-742, Republic of Korea

<sup>b</sup> A. B. Freeman School of Business, Tulane University, New Orleans, LA 70118, United States

## Abstract

Our study provides both theory and evidence about the effect of social capital possessed by individual managers of Korean corporations on their likelihood of promotion to the next hierarchical level. We argue that (1) executive social capital can be dimensionalized into internal and external components, and both components are positively associated with executive promotion and (2) the effects of social capital on promotion are moderated by several contextual factors. We tested our hypotheses with a sample of 4759 executives in 199 large Korean companies from 1990 through 1999. The results provide strong support for the predicted main effects, but limited support for the predicted moderation effects.

© 2007 Elsevier Inc. All rights reserved.

## 1. Introduction

Korea has transformed itself from one of the poorest countries in the world into an industrial powerhouse during the last several decades. The country now has a democratic government and is home to large modern corporations whose technology and management compete with companies in the most developed nations. Many Korean companies are governed by highly refined standards and rules. Yet there is strong tendency among Korean companies to use informal connections such as family, regional, and school ties as a means of doing business, securing information, and making important decisions (Yee, 2000). Our paper develops a theory of Korean executive promotion using the concept of social capital and tests the theory using a sample of more than 4700 officers of large, publicly traded Korean compa-

nies. Following Belliveau, O'Reilly, and Wade (1996, p. 1568), we define social capital, as “the resources available through social network and elite institutional ties that an individual can use to enhance his or her position”.

The Korean setting is important for several reasons. First, in Korea, social capital is very important in executive promotion decisions. Sharing Confucian traditions with China, the family or clan plays a central role in modern Korean Corporations (Ungson, Steers, & Park, 1997). Like the Chinese word *guanxi*, meaning a social connection to authorities or important institutional players, the Korean term *inmaek* refers to the same type of instrumental personal ties. The strength of *inmaek* (personal connections) is critically important in Korean society. As the bond between people is strengthened by close and personal relationships, it can easily transcend institutionalized rules and formal regulations (Yee, 2000). Thus, we expect that social capital is a more important predictor of promotion decisions among Korean firms than among firms in the west. Secondly, while Korea is a major industrial power and its large companies frequently have global reach,

\* Corresponding author. Tel.: +82 2 705 8528; fax: +82 2 715 8505.

E-mail addresses: [ymkim@sogang.ac.kr](mailto:ymkim@sogang.ac.kr) (Y. Kim), [acannell@tulane.edu](mailto:acannell@tulane.edu) (A.A. Cannella Jr.).

<sup>1</sup> Tel.: +1 480 965 5031; fax: +1 480 965 8314.

little has been written about the executives who run Korean companies and how executive promotion decisions in those companies are made. Most Korean scholars would agree that *innaek* based on Hyôl-yôn (blood relation or family ties), Jie-yôn (regional ties), and Hak-yôn (school ties) play critical roles in Korean business. However, there have been very few studies about the characteristics of social networks of executives in Korean corporations. Our study is among the first to focus on Korean executives' social capital and the first we are aware of to consider its role in executive promotion. Finally, the Korean setting permits us to measure social capital, as we discuss in detail later.

## 2. Executive social capital and job promotion in Korea

Explaining promotion or job attainment using the concept of social capital is not new, but the literature is characterized by disagreements about which types of social capital are most advantageous. Burt's (1992, 1997) research on structural holes emphasizes the importance of weak ties. According to Burt, sparse networks with many structural holes (i.e., the absence of connections among those in the network) are more beneficial than cohesive networks with few structural holes because sparse networks with structural holes bridge local cliques and provide unique, as opposed to redundant, information (Burt, 1992, 1997).

By contrast, Podolny and Baron (1997) show that social networks are also used for social support and for developing role expectations and find that both of these functions are better served with smaller, denser networks. Finally, Nan Lin and his colleagues describe how social resources embedded in a network affect status or job attainment in labor markets (Lin, 1982; Lin & Dumina, 2004; Lin, Ensel, & Vaughn, 1981). Social resources include "wealth, status, power, as well as social ties to those persons who are directly or indirectly linked to the individual" (Lin et al., 1981, p. 395).

Our approach builds on this research and extends it to the Korean setting in several important ways. First, we examine a context in which both dense ties and social resources are widely believed to be important—entry into and promotion within executive ranks. Entry and promotion within this group are difficult and require the support of those already in the group, especially the powerful members. Given that many Korean chaebol companies are still owned and controlled by the founders or their family members, support from the powerful members of the firm's dominant coalition is particularly important for promotion into or within the group.

Second, our notion of executive social capital includes the individual executive's direct, personal ties such as family ties, and social similarity with others, or homophily, which is based on school or regional background. Homophily is the degree to which pairs of individuals who interact are similar in identity or group affiliation (Marsden, 1988). Social homophily between individuals plays an important role in boosting trust by making reciprocal relationships more predictable (Fischer, 1982; Marsden, 1988), while direct, personal ties can provide both access to information (Granovetter, 1973) and sources of status and power (Belliveau et al., 1996; D'Aveni, 1990; D'Aveni & Kesner, 1993).

Social networks based on homophily or blood relations are important in Korean society. The "people" sections of most Korean newspapers are filled with articles reporting the annual meetings of alumni associations or regional associations, accompanied by pictures specifying the names of important figures in the associations (Yee, 2000). Shin and Chin (1989) note that loyalty and trust created by regional ties and school ties are widely accepted norms in Korean tradition, and those ties profoundly impact the patterns of association in Korea. In addition, some companies require new recruits to submit a list of their acquaintances, friends, and relatives who are prominent in corporations, politics, the government, or the media. Thus, social relations indicated by kin, school, or regional ties are likely to play a critical role in executive promotion. Lee (1989), Kim (1992), and Biggart (1990) have emphasized the importance of school ties and common regional origin in the recruitment and promotion of individuals to managerial positions. As Lee (1989, p. 156) noted (family, regional, school ties) work not only in power group formation at the top levels, but also in the formation of informal relations, groups, and cliques at all levels throughout the South Korean organization.

Third, we argue that it is not simply the number or strength of ties per se, but also "to whom" the focal actor is connected. We consider not only executives' network linkages inside the firm but also linkages outside the firm. Among the executive cadre, there are members who can directly influence executive promotion decisions, including the CEO, chairman, founder, or other senior managers. On the other hand, there are influential stakeholders outside the organization who may be able to indirectly influence organizational decisions, including investors, bankers, political leaders, and government officials. We label the ties to those inside the organization as internal social capital, and the ties to those outside the organization as external social capital. Below, we develop several hypotheses about the

متن کامل مقاله

دریافت فوری ←

**ISI**Articles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات