



Chaebol versus the shareholders



David Becker/Getty Images

Two Samsung affiliates are preparing to merge.

by ***Sally Herships*** (</people/sally-herships>)

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South Korea is home to a very big corporate empire – Samsung. And Samsung is in the middle of a very big takeover fight right now.

It's in one corner and in the other, across the Pacific Ocean, is Elliott Associates, an American hedge fund with a large stake in the subsidiary at question. With any other company, you could boil this down to a battle between a founding family and its shareholders. But Samsung is a unique kind of company. And that means this isn't your typical takeover fight.

Says [Will Stofega, an analyst covering the mobility market with market research firm IDC](https://www.idc.com/getdoc.jsp?containerId=PRF001153) (<https://www.idc.com/getdoc.jsp?containerId=PRF001153>), "You have under one corporate umbrella a company that does everything from life insurance, hotels, construction, electronics and lots of other different products."

On top of that, Samsung is what's called a chaebol— a South Korean conglomerate founded and controlled by one family. Chaebols can be enormous – just look right at Samsung.

“It contributes roughly about 23 percent of Korea’s GDP,” Stofega says.

If you're a shareholder, that kind of earning potential should turn the corners of your mouth upwards, but chaebols have often been the target of criticism on behalf of shareholders who aren't part of the family.

"The bad news is there can be issues where the governance is not what it should be from a shareholder perspective," says [David Larcker \(https://www.gsb.stanford.edu/faculty-research/faculty/david-f-larcker\)](https://www.gsb.stanford.edu/faculty-research/faculty/david-f-larcker), senior faculty of the Arthur and Toni Rembe Rock Center for Corporate Governance at Stanford.

Larcker notes that because of the family's interests and complicated relationships, business decisions may not always be made with the profits of the shareholders of just one company in mind.

“Are you investing money to increase value or are you investing money to maintain a family or business relationship that's long standing?”

Given its size and connections, non-family shareholders don't have a strong chance to fight Samsung, Stofega says. Then there's culture. [Usha Haley \(http://www.be.wvu.edu/faculty_staff/usha_haley.htm\)](http://www.be.wvu.edu/faculty_staff/usha_haley.htm), an expert on East Asian governance and prior consultant to the South Korean government on chaebols, says bottom line, it may not make sense to expect foreign businesses to work like American ones.

"When culture meets legal regimes and legal rules, one or the other gives, and it's generally the legal regulations that do," she says.

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