

Article

Network embeddedness under developmental state: the case of Korean TV drama industry

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Abstract

This study examines the concurrent roles of public agencies and private actors in the industrial development of East Asia. We introduce a network governance system under the developmental state framework and illustrate the evolving roles and mutual adaptations of these agencies and actors. Using both qualitative and quantitative data, we analyze the development of the Korean TV drama industry. Our research indicates that this development is neither entirely state-led nor market-driven; rather, it relies on the collaborative actions of both the state and the industry. These actions manifest in a network-based production system composed of small- and medium-sized firms. Our study also demonstrates that this governance system necessitates a pre-existing interdependent relationship between the state and industry. Our work broadens the prevailing state-led approach to industrial development in East Asia, offering an alternative perspective that frames the efforts of the state and private entities as concurrent rather than competing explanations.

Key words: Asia; capitalism; varieties of governance; industrial relations; media; social networks.

JEL classifications: L82 entertainment, media; O38 government policy; P41 planning, coordination, reform

1. Introduction

The rapid industrialization and strong economic growth in East Asia over the past few decades have resulted in the emergence of a state-led development model (Johnson 1982; Wade 1990). The East Asian experience shows that the state can effectively identify strategic industries and

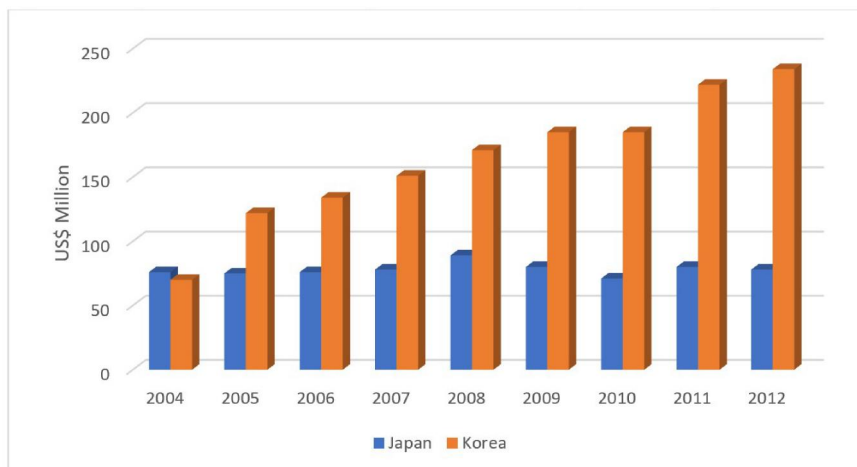
promote innovative products (Amsden 1989; Kohli 2004). Recent advancements have introduced concepts such as “embedded autonomy” and “developmental network state,” which clarify the contingencies of state-industry connections that can affect the state’s efforts to develop strategic industries (Evans 1995; Ó Riain 2004).

While the advanced concepts highlight the contingency of state-industry interactions, the analysis has primarily focused on state structures (e.g. flexibility) and policy orientation (e.g. global connections), often neglecting the inner workings of the industry and its participants. For example, there has been limited attention given to the governance structures that coordinate economic activities and address collective challenges (Streeck and Schmitter 1985; Campbell, Hollingsworth and Lindberg 1991; Griffiths and Zammuto 2005). Furthermore, firm capabilities that influence product competitiveness have not received sufficient attention (Tece, Pisano and Shuen 1997). This oversight complicates existing theories’ ability to explain why some industries thrive while others struggle, even when both operate within the same country and under coherent state policies. We aim to contribute to this literature by investigating industrial governance and firm capabilities in the development of the Korean TV drama industry, which has achieved significant success in Asia and worldwide since the late 1990s.

Since the late 1990s, audiences have observed the rising global popularity of Korean dramas, which emerged as a distinct product category during a time when the global market was dominated by American productions, while niche Asian markets were primarily filled by Japanese productions. Despite being a latecomer (Amsden 2001), the export value of South Korea’s TV dramas has been increasing steadily since the beginning of the 2000s (Kazunaga 2014: 206; see Fig. 1 below). Popular drama series such as *Jewel in the Palace* (*Dae Jang Geum*) (2003) have been sold to 91 countries, including North America, Europe, and the Middle East (https://en.wikipedia.org/wiki/Jewel_in_the_Palace). In 2013, Korean drama exports brought in US\$167 million—four times more than a decade earlier. In 2015, K-drama broadcast licenses were sold in various non-Asian countries, with the United States leading in purchases with 4,291 K-drama titles (Ju 2018: 7). More recently, the TV series *Squid Game* was released on September 17, 2021, and became Netflix’s most-watched program in 94 countries, attracting more than 142 million households and 1.65 billion viewing hours in just the first four weeks (https://en.wikipedia.org/wiki/Squid_Game).

Given the rise in popularity of K-dramas, it is surprising that studies on the sources of the industry’s competitiveness and the capabilities of production companies remain limited. It is not immediately clear how South Korea has managed to compete with dramas from advanced economies such as the United States and Japan in global markets. What roles have the South Korean state and various private actors—including TV and cable channels, large Chaebols, independent production companies, industrial associations, and training institutions—played in enhancing the competitiveness of this industry? This question is particularly intriguing considering that cultural products typically flow from the centers of the world system (e.g. developed countries such as USA) to the peripheries or semi-peripheries (developing countries or newly industrializing countries such as South Korea) (Van Rossem 1996).

Our study unveils a governance system embedded in social networks under supportive state policies in the development and globalization of Korean content products. Our findings demonstrate the intertwined roles of government and private entities. While the concepts of “embedded autonomy” and “developmental network state” emphasize the state’s



Adopted from Kazunaga (2014: 206)

Figure 1. Comparison of television content export value between Japan and South Korea (2004–2012). This figure presents the annual export values of television dramas from Japan and South Korea, expressed in millions of US dollars, for the period from 2004 to 2012.

ability to create and implement desirable policies and coordinate with private firms and manage global connections (Evans 1995; Ó Riain 2004), the industry governance system we identified underscores the response of private firms and the industry-coordinating structure emerging from the co-evolution of state intervention and company actions. In our framework, the government and private organizations not only influence each other and co-evolve, but also lead to unexpected trajectories which can diverge, at times even contradicting the original intentions of the state. The strategic actions and policy support of the government result in unforeseen consequences, often necessitating adaptation and initiative from private entities.

The development model we identified combines state policies with private actions, considering their interactions and potential unexpected outcomes. We found that large organizations, particularly *Chaebols* (family-owned conglomerates), played a crucial role in bringing initial business expertise and essential capabilities to the K-drama industry, which the government had strategically planned for (Shim 2008: 3–6). However, during the 1997 financial crisis, the *Chaebols* withdrew from the content industry, contradicting policy-makers' original plans. Their departure unintentionally created space for informal networks to develop (Manning and Sydow 2011), uniting diverse talents for drama projects and enhancing the industry's creative autonomy, competitiveness, product quality and variety.

Our findings enhance the current literature on state-led development in East Asia, specifically by elucidating the role of government in cultural industry development which is often ambiguous and uncertain. Although existing studies on Korean cultural industries that followed the developmental state perspective underscore how government policies steer, guide, and facilitate development (Otmazgin 2011; Kwon and Kim 2013, 2014), they often imply

a top-down and directing role of state. This perspective underplays the crucial role other stakeholders such as creative personnel, entrepreneurs, investors, and self-regulating associations play in strengthening the competitiveness of cultural products. Such a view also overlooks the significance of firm capabilities and their impact on the industry's governance structure, particularly when businesses and industries do not only passively respond to government guidance but actively participate in the transformations. Our findings suggest that understanding the roles of both the state and private firms, as well as their interactions, will provide a more comprehensive view of complex industry developments, such as those in the cultural sector.

In terms of generalization, our framework helps us better understand not only the growth of Korea's cultural industry, but also the emergence and development of other nascent industries. It sheds light on why some industries in East Asia prospered while others struggled despite originating from the same country and within a similar institutional environment. A good example of contrasting development is seen in Singapore's cultural industry as compared to its electronics and finance industries (<https://www.straitstimes.com/lifestyle/arts/growing-audiences-for-singapore-arts-a-key-priority-in-new-5-year-plan-from-national>).

By examining the roles of the state and private firms, as well as their interaction in the development and globalization of Korean drama, we examine specifically the network coordination of production in the industry. We thereby extend the predominant state-led approach to explain East Asia's development by offering an alternative perspective that views the efforts of the state and private actors as interactive rather than competing factors (e.g. [Amsden 1989](#); [Fields 1995](#); [Kim 1997](#); [Wade 2018](#)).

In the following sections, we first review the existing literature on state-led development, its application to Korean cultural industries, and the role of network governance in industry performance. Next, we provide a brief overview of the Korean TV Drama Industry, followed by details about our data sources and analytical frameworks. We then present our main findings on how Korean drama production is embedded in non-redundant social networks and the role of production directors (the PD) as brokers within these networks. Finally, we conclude the article by discussing the implications of our findings as well as offering recommendations for future research directions.

2. Literature review and research gap

2.1 Developmental state, state-industry relation, and network governance

Traditional developmental state literature employed a top-down, directive approach to industrial development. For instance, economic bureaucrats identify strategic industries, establish national champions, and provide incentives and resources, to which industrial players respond ([Johnson 1982](#); [Wade 1990](#)). [Evans \(1995\)](#) introduced the concept of "embedded autonomy," stressing that a developmental state requires not only an independent and capable bureaucracy but also a strong connection to the industry's structure to effectively gather information and mobilize resources. Later, scholars observed that the developmental state's ability to coordinate and guide industrial development diminished in response to globalized markets and innovation systems in the 1990s ([Weiss 2003](#): 249). The concept of the "developmental network state" was then proposed to emphasize the flexible

nature of state organizations capable of linking regional and national innovation systems with global knowledge and financial flows (Ó Riain 2004: 37).

The recent theoretical advancements highlight factors that affect effective collaboration between the state and industry (Evans 1995; Ó Riain 2004). However, they primarily focus on the state actions and structure rather than the industry itself. The governance of industry and the interactions among various industrial actors and state officials have received limited attention. We still lack clarity on which types of industrial governance align with or diverge from developmental state initiatives. This gap is especially important when assessing the effectiveness of state actions in cultural industries that prioritize creative autonomy.

Our article aims to fill this gap by proposing three ideal types of industrial governance, using the Korean drama industry as a case study to illustrate how network governance functions within the framework of developmental policies and actions. To elaborate on this, we compare the network governance model with market and hierarchy models across various dimensions in Table 1. These dimensions include institutional drivers, coordination mechanisms, creative autonomy, and the compatibility of developmental state initiatives.

Competition and pricing primarily drive interactions among industrial players in market governance, while managerial authority coordinates various actors within a hierarchical structure (Williamson 1975). In contrast, a network-coordinated system depends on trust, dependence, and established norms (Powell 1990: 300). Although network governance can restrict autonomy and creativity due to its interactive and negotiated nature (Uzzi 1996, 1997; Uzzi and Spiro 2005), creative personnel in network structures typically enjoy a higher level of autonomy than those in hierarchical authority. In market systems,

Table 1. An ideal type for governance in the cultural industry under a developmental state.

	Market governance	Hierarchical governance	Network governance
Institutional Drivers	Activities among industrial players are coordinated by competitive dynamics and market prices and transactions	Large corporations with key capabilities to organize value chains and coordinate activities through administrative authority	Actors in the industry coordinated through social networks and overlapped institutions
Coordination mechanism	Price and competition	Managerial authority	Resource dependence, trust and norms
Autonomy for creativity	High	Low	Moderate
Path of evolution	Dynamic and market equilibrium	Stability and predictability	Interactive and path dependent
Developmental state strategic initiatives	Incompatible	Symbiosis	Compatible

Source: Powell 1990; Campbell, Hollingsworth, and Lindberg 1991; Griffiths and Zammuto 2005; Ó Riain 2006.

innovators often operate independently and competitively, enjoying a high degree of creative autonomy. However, the lack of opportunity for collaboration and learning from one another can ultimately discourage creative efforts (Saxenian 1994).

Overall, the market governance guided by the invisible hand in the industry is incompatible with the concept of a developmental state, which implies the need for “governing the markets” (Wade 1990). While the dominance of large hierarchical structures can coexist with a strong state, leading to a “big business and strong state” coalition (Kim 1997), it may also hinder creative autonomy. The network governance model can yield positive outcomes for the creative industry when backed by effective state policies (Jones, Hesterly, and Borgatti 1997).

2.2 Developmental state and creative autonomy in the Korean cultural industry

Following the traditional developmental state perspective, existing literature on the popularity of Korean cultural content emphasized the crucial role that the Korean government has played in fostering the growth of cultural contents (Jin 2006; Keane 2006; Nam 2008; Kwon and Kim 2013, 2014; Ju 2017). For instance, research mentioned that during the term of President Kim Young-Sam (1993–1998), the government prioritized the expansion of the cultural industry as a strategic sector, acknowledging its potential to catalyze economic growth (Kwon and Kim 2014).

While relevant, scholars have cautioned that state-led development policies, particularly those implemented in heavy industries such as steel and shipbuilding, may result in a rigidity that constrains firms’ capacity to react to changes (Andriess and van Westen 2009; Carney, Gedajlovic, and Yang 2009). This rigidity can have a particularly debilitating impact on cultural industries, where firms and their creative personnel need autonomy to deal with the ambiguity and dynamism inherent in creative products (Lampel, Lant, and Shamsie 2000). Consequently, when the Korean government continued to develop and promote the cultural industry, it inevitably encountered unique challenges in creating a mechanism to cultivate and commercialize artistic and cultural creativity on a large scale while preserving creative autonomy (Otmazgin 2011: 310). The state-led view assumes that the government is the main entity driving the development of the cultural industry and possesses the knowledge and capacity to deal with these unique, ambiguous, and uncertain issues. Private businesses are expected to react in support of state strategy.

More recent developmental state theories recognize that the state needs to maintain social connections with the private sector and act as a broker to connect local institutions with global networks (Evans 1995; Ó Riain 2004, 2006). These perspectives shift our focus from the autonomous state to the interaction between state actions and industrial actors. Our framework extends these views and examines the activities of both governmental and private entities, highlighting their interdependent relationship while challenging the traditional assumption that firms will automatically respond to governmental initiatives and market dynamics.

The network system in cultural content production is a type of horizontal network that coordinates broadcasters, production companies, scriptwriters, entertainment agencies, and other production-related personnel. Unlike the market mechanism, which involves competition and formal contractual relationships between firms, a network relationship consists of “a structured set of autonomous firms engaged in creating products or services based on implicit and open-ended contracts to adapt to environmental contingencies and to coordinate

and safeguard exchanges” (Jones, Hesterly, and Borgatti 1997: 914). This system helps address the common issues of uncertainties and peculiarities in transactions involving cultural products. The network industry system also differs from the vertically integrated hierarchies common in large conglomerates or business groups, which rely on authoritative coordination and significantly influence the economy and public policies in East Asia (Chang 2006).

Our review of the current literature indicates that the traditional view of developmental state theories only partially explains the success of the Korean drama industry. The network governance model enables us to explore the industry’s internal dynamics and its interaction with state policies. In the following sections, we will first provide a brief overview of the Korean TV drama industry, followed by a description of our data sources and key findings.

3. Overview of the Korean TV drama industry

Before the 1990s, the Korean TV industry was vertically integrated and dominated by a few large broadcasters controlled by the military government. After democratization, the government licensed a privately owned commercial broadcaster, Seoul Broadcasting System (SBS), in 1990. Since then, the TV landscape has been shaped by three main broadcasters: SBS, KBS, and MBC. However, cultural industry policies in Korea in the late 1990s marked a significant shift, evolving from merely supporting political agendas to acknowledging the strategic importance of the cultural sector in driving economic growth.

Table 2 presents the timetable of various institutional developments and public policies from 1993 to 2015. Supportive policies emerged throughout the Kim Young-sam government (1993–1997) and continued under the Park Geun-hye government (2013–2017). The government budget for the cultural industry increased significantly, from 18.4 billion Korean Won during the Kim Young-sam administration to 321.9 billion Korean Won during the Lee Myung-bak government (Kwon and Kim 2014: 431). This funding fueled the state’s efforts to enhance infrastructure for the advancement of cultural content production and consumption. Efforts included nurturing a skilled workforce and creative talent by supporting universities, mentoring programs, and specialized schools (Otmazgin 2011: 316), as well as providing technologies such as cable TV, satellite broadcasting, and the Internet through state investment. Two popular cable TV channels, tvN and JTBC, were licensed and established in 2006 and 2010, respectively. These policies demonstrate that the government has provided financial support, tax incentives, built industrial infrastructure (including specialized personnel and technology platforms), protected innovation outcomes, and promoted K-drama products in overseas markets.

In terms of size of domestic market, there were likely around 4 to 5 dramas airing at any given time based upon to calculation derived from our database. Popular dramas such as “Winter Sonata” (2002), “Dae Jang Geum” (2003), and “Boys Over Flowers” (2009) gained immense popularity. “Boys Over Flowers,” for instance, achieved an average rating of around 30%, which indicates that approximately 5.4 million out of 18 million South Korean households with televisions were tuned into this drama during its broadcast. These dramas were also widely discussed in newspapers, online forums, and social media. Success in the domestic market helps distributors decide which dramas to expand into overseas markets.

Table 2. Time table of policies for the growth of K-drama during 1993 and 2015.

Year	Institutional development	Corresponding policies
1993–1998	President Kim Young-Sam put forward a doctrine of new economy	<ul style="list-style-type: none"> • The Presidential Advisory Board issued a report on the cultural industry, and the Cultural Industries Directorate was established.
1996	Korea joined OECD. Actions were taken to liberalize the domestic markets.	<ul style="list-style-type: none"> • Policies were put in place to reduce screen quotas and allow the import of Japanese cultural products, which had been banned previously.
1998	After the 1997 Asian financial crisis, the export of Korean pop culture became one of the pillars of the post-crisis South Korean economy.	
1998–2003	President Kim Dae-Jung launched the “New Cultural Policy”	<ul style="list-style-type: none"> • The government budget for cultural industries increased significantly.
1999	Framework Act on the Promotion of Cultural Industry was passed	<ul style="list-style-type: none"> • The Korea Creative Content Agency (KOCCA) received additional funding and merged with five other related organizations. • Launch of Cultural Industries Fund to mobilize private fundings.
2003		<ul style="list-style-type: none"> • Set up the Korean Foundation for Asian Cultural Exchange. • Publication of the Cultural Industries White Book. • Identify TV/broadcasting and digital content as strategic industries.
2006		<ul style="list-style-type: none"> • Set up the Cultural Content Production Fund, which provided KRW 2,621.8 billion (equivalent to US\$ 2 billion) in support to startups and small- and medium-sized companies between 2006 and 2021.
2007–2008	Free Trade Agreements with the US and European Union	<ul style="list-style-type: none"> • Developed comprehensive and modernized IP rules and administrative systems, such as a copyright protection ecosystem.
2008–2013	President Lee Myung Bak accounted “Korean Wave Development Strategy”	<ul style="list-style-type: none"> • Policies that provide financial, managerial, and marketing support to traditional and contemporary cultural sectors were launched.

continued

Table 2. *Continued*

Year	Institutional development	Corresponding policies
2009		<ul style="list-style-type: none"> • Set up a completion guarantee program by which government agencies cover credit risks associated with companies in need of financing.
2011	Content Industry Promotion Act was passed Content Industry Promotion Committee, includes representatives from eleven ministries, was established as the primary promotor	<ul style="list-style-type: none"> • Raise governmental funding to attract private sector investment, support R&D, implement inter-ministerial collaborative projects, develop human resources in the creative industry, reduce regulations, and strengthen copyright protection.
2011	Framework Act on Intellectual Property was passed	<ul style="list-style-type: none"> • Establish the Presidential Council on Intellectual Property
2011	Educational programs were launched to nurture talented individuals	<ul style="list-style-type: none"> • Introduce educational programs to nurture talented individuals. The mentoring program matching trainees with professional experts, including directors and screenwriters of K-dramas.
2012	Government started publishing data of global Korean fan communities. Fandom has been incorporated into the Korean Wave policy.	<ul style="list-style-type: none"> • The Korea Foundation surveyed fandom communities around the world and published the first issue of the Global Village Korean Wave Report.

Source: [Hong 2014](#); [Lee 2019](#); [MCST and KOCCA 2022](#).

4. Data sources and analysis

We explored the research question by using multiple data sources and methods such as interviews, secondary data analysis, and literature review. [Table A.1](#) in the [Appendix](#) lists our interviewees and [Table A.2](#) in the [Appendix](#) summarizes our secondary data sources. Since our phenomenon of interest is inherently complex and dynamic, we adopted a triangulated perspective ([Jick 1979](#)) which allows us to consider the context and the process through which the K-drama industry governance structure becomes what it is ([Walsham 1995](#); [Koch and Schultze 2011](#)).

The primary data was collected from semi-structured interviews. These interviews were conducted during visits to Korea in May and July of 2017. We interviewed 14 key industry informants, including government officials, academics, managers from broadcasting channels, major drama producers, entertainment agencies, scriptwriters, and the senior manager of a video streaming website. These interviews were made possible by the author's personal connection with the largest film distribution company in South Korea and the Korean Film Council. The author who conducted the interviews is proficient in both Korean and

English. Each interview began with broad, generic questions and progressed to more specific ones related to the interviewee's involvement. They typically lasted between 1.5 and 2 hours each. When new themes emerged, additional interview questions were formulated to elicit more information to explain, refute, refine, or enrich the arguments. With the interviewees' consent, the interviews were recorded, transcribed and translated if they were not conducted in English.

Secondary data were gathered from various sources such as websites, news and magazines, and government reports. This data provided details about major government policies and industry statistics. Reports from the Korean Culture and Information Service and the Ministry of Culture, Sports and Tourism were instrumental in providing information about the historical development of the industry and the performance of popular dramas, especially in overseas markets.

In addition, we collected data on individual TV dramas from AC Nielsen and local streaming websites such as Conting and Naver. From the AC Nielsen database, we gathered data on 911 dramas that were broadcast by the three major TV channels: SBS, MBC, and KBS (including KBS 2) and two cable TV services between 2001 and 2015. We compiled information on the broadcasters, airing days and times, and viewership ratings. We then linked this information with the name of the production company, producer, director, screenwriter, and main cast members of each of these 911 dramas. This information allows us to examine the overlapping patterns of producers, directors, and screenwriters among the 911 dramas (see [Baker and Faulkner 1991](#) on Hollywood).

5. The development of K-drama production since the early 1990s

5.1 The initial resource inflows from the state and the chaebols

The popularity of Korean drama was once attributed to its low price, but it has demonstrated a broader and more sustainable impact over time. These dramas have enjoyed widespread popularity in international markets. [Figure 1](#) illustrates the phenomenal growth of Korean drama export value between 2004 and 2012 in comparison with Japanese drama. Japan serves as an excellent reference point for comparison. Japan used to import American dramas and has a strong developmental legacy, including the Ministry of International Trade and Industry (MITI, later changed to METI) and robust policies supporting various industries ([Johnson 1982](#); [Kawashima 2018](#)). Despite these similarities, Japan exports less TV content than Korea, primarily reaching only a limited number of Asian countries. These differences raise intriguing questions about the factors contributing to the competitive advantage of Korean dramas in international markets.

While the quality, popularity, and export value of Korean drama took off in the early 2000s (see [Fig. 1](#)), the embedded resources and capabilities were initiated in the early 1990s, when the Korean government identified the cultural industry as a strategic priority. In a report by the presidential advisory board, the potential of the cultural industry was spotlighted when the total revenue of the Hollywood movie *Jurassic Park* was equated to the sales of 1.5 million Hyundai cars ([Lee 2019](#): 92). This led to a paradigm shift in a country that has long prided itself on the success of heavy manufacturing and electronic industries ([Shim 2008](#)).

Korean government's support of cultural industries is strategic and well organized ([Otmazgin 2011](#): 316, 317). Several state agencies such as cultural industry-related

divisions, ministries, and centers were set up, and their relationship and structure have been modified over time as the market has evolved (Kwon and Kim 2014) (see Table 2). In particular, the government provides a subsidy to support small- and medium-sized companies (see seventh row of Table 2), as explained by a senior executive of KOCCA:

We have diverse means of support. Loans are one way. We also provide production funds, or the funds necessary to participate in a certain market. It's very diverse. Supporting them with information is also very important. Providing information, loans, cash, that sort of thing, and also lending them workspaces. We have a couple of buildings, and at a relatively inexpensive cost those companies can come and use the spaces there.

Correspondingly, the government budget for cultural industries rapidly increased. Between 1998 and 1999, the budget rose sharply from 16.8 billion won (USD 14 million) to 100 billion won (USD 88 million) and continued to grow to 500.7 billion won (USD 472 million) in 2015 (Lee 2019: 105, 106).

Supportive policies, financial assistance, and tax incentives attracted large conglomerates, such as Samsung, Daewoo, and Hyundai, to enter cultural content production and create synergy between their content and hardware-based businesses. As a result, they began financing film, video production, and cable TV programs in the early 1990s. The involvement of these private conglomerates aligned with the government's policy to bolster the financial and human capital of the cultural industry. For instance, content companies owned by chaebols, equipped with significant financial resources, could recruit fresh talent, introducing new perspectives into Korean content creation. Notably, these chaebols supported young directors with degrees from prestigious film schools worldwide, allowing them to make their debut films sooner than they would have otherwise (Ko 2005).

However, it was not anticipated in the government's plans that during the 1997–1998 financial crises, these chaebols would choose to exit the cultural industry in order to sustain their core manufacturing businesses. Nonetheless, many of the creative talents that these business groups had nurtured remained in the industry, planting the seeds for the later burgeoning growth of the Korean content industries. For instance, five of young directors later became award-winning movie directors and earned the label “Samsung Men” in the industry. The legacy influence of Chaebols continues to this day, even after the entry of the global streaming platform Netflix. A standout TV project is “Kingdom,” a zombie thriller co-produced by Netflix and CJ ENM—a legacy of the CJ Group, showcases high production values and engaging storytelling. In 2020, “Kingdom” won the Best Drama Series award at the International Emmy Awards.

Chaebol's involvement in the early stages was a critical development with intriguing consequences. Responding to the government's initiatives and policies, chaebols infused essential business elements such as capital, talent, and expertise into the content industry, which was characterized by its nascence in the early 1990s. Without the initial involvement of these large organizations, it's unclear where the strategic talent, marketing expertise, and project execution capabilities of the industry would have come from. This is particularly true for project execution capabilities that chaebols acquired by entering a series of unrelated industries over time. “Project execution capability refers to the skills required to establish or expand operating and other corporate facilities, including undertaking preinvestment feasibility studies, project management, project engineering (basic and detailed), procurement, construction and start-up of operations” (Amsden and Hikino 1994:

129). The experience transformed into specialized knowledge that helped these conglomerates initiate and implement projects in indifferent industries swiftly and effectively. These capabilities and knowledge are strategically important for organizing resources and managing various projects for TV programs.

Each new TV drama is, to some extent, a unique project characterized by its genre, story, or format, requiring distinct sets of creative professionals, resources, knowledge, and skills. When the chaebols first ventured into content production, they transferred many skilled executives from different sectors within their organizations to the newly established units in the cultural content industry. This move allowed the chaebols to bring their advanced business expertise—including systematic planning, marketing strategies, and project management—into the Korean cultural industry. Even after the chaebols exited their content businesses, many of these executives continued to work in the industry. For instance, 30 out of the 45 staff members in Samsung Entertainment Group's cinema business team remained in the industry after the group discontinued its operations (Shim 2008: 5). The Korean drama industry clearly demonstrates its project execution capabilities by efficiently producing a wide range of diverse and innovative drama genres (KOCIS and MCST 2015). This stands in clear contrast to the evolution of the Japanese television industry (see Fig. 1), which has lacked strong participation from *Keiretsu* (Gerlach 1992).

In other words, chaebol investment generated a multiplier effect during the initial development of Korea's cultural content industry. However, an intriguing question is that if chaebols had persisted through the financial crisis, the content industries would likely have been dominated by a few large, hierarchical chaebols and the three major TV channels. This would have led to a form of hierarchical governance marked by a symbiotic relationship between large chaebols and the government, similar to what occurred in other manufacturing sectors in Korea (Kim 1997). Without the chaebols' withdrawal due to the external shock of the financial crisis, the governance model for the TV and movie industries might have become vertically integrated rather than network-based. Both the government and private firms played roles in the early development of Korean film and drama production, but the trajectory of this development extended beyond government planning.

In sum, our data indicate that the growth of the Korean drama industry showcases the initial resources and capabilities offered by large chaebols. However, these resources function within the industry without direct hierarchical control from the chaebols. Rather, they are integrated into the social networks of creative professionals who capitalize on government support and existing infrastructure. In the following sections, we will demonstrate how state deregulation policies and network governance emerge and operate.

5.2 Deregulation and the transition from hierarchy to network

Before the deregulation of the Korean drama industry, its production was vertically integrated, with key creative personnel—producers, directors, and screenwriters—employed by the broadcasting stations and subject to their authority and control.

Industrial deregulation in South Korea began when the government joined various trading blocs and agreements in the late 1990s and early 2000s (see Table 2). The government mandated that vertically integrated broadcasters outsource a certain percentage of content production to foster a more open domestic market. The percentage increased from 2% to 20% and eventually reached about 40% (Kwon and Kim 2014).

This policy stimulated the growth of small- and medium-sized companies in the industry and transformed the vertically integrated industry structure. The number of independent production companies grew from 391 in 2008 to 896 in 2012 (Korea Communications Commission 2012). Such industrial structure allowed creative workers to find opportunities in independent production companies, scriptwriting studios, artist agencies, and editing firms, fostering greater creative autonomy.

The second component of the deregulation was that the Korean government issued a license to SBS, the country's first commercial broadcaster. This move, along with the introduction of private satellite and cable channels like JTBC and tvN, increased competition for viewership (Picard 2005) and profits, and initiated a "drama war." In response, production companies began enhancing the quality of dramas by improving scripts, screenplays, visuals, costumes, set design, and filming locations.

The deregulated industry arrangement led to the emergence of independent firms and studios; however, the majority of these companies (95.7%) employed fewer than 50 people and primarily relied on subcontracting networks to outsource tasks outside their expertise to specialized agencies for project completion (Lee 2019: 98, 99). In contrast to the hierarchical structure that characterized drama production before 1990, the first decade of the 2000s saw a drama production system made up of various small firms working within diverse and collaborative networks.

More importantly, the new network governance system fostered the growth of organizational capabilities that, on one hand, provided the flexibility to work with different teams, generating new sources of creativity and diversity, and on the other hand, facilitated the repeated use of the same set of teams, which was advantageous for coordinating complex exchanges and products with uncertain demand (see Faulkner and Anderson 1987, on Hollywood). The free flow of creative professionals, such as directors, screenwriters, and artists, made the knowledge sharing, learning, generation of new ideas and innovation among firms feasible.

5.3 PD as the broker in the networks of creative actors under deregulation

The deregulation policies and emergence of independent production companies does not automatically lead to improved quality and content diversification. Indeed, many small- and medium-sized independent production companies face the challenge of high drama production costs. As a result, broadcasters have adopted a co-production model, where the TV stations commit to providing airtime and upfront funding of 50–60% of the total production cost when engaging an independent production company. This co-production model necessitates close coordination between the broadcaster and the production companies, which can occasionally lead to conflict due to the differing objectives of financially driven managers and artistically motivated creative workers (Lampel, Lant and Shamsie 2000). To allow for efficiency, specialization, and creative flexibility, a unique role known as the Production Director (PD) has been established by the broadcasters. Combining the responsibilities of a producer and a director, the PD coordinates and balances the needs of multiple stakeholders in the production process (see Baker and Faulkner 1991 on Hollywood; Peltoniemi 2015).

The production directors (PDs) employed by broadcasters played a crucial role in reducing the risks faced by independent production companies by leveraging their expertise, capital, and resources. Additionally, they enhanced broadcasters' access to unique creative content, which could only be partially controlled (Lampel, Lant, and Shamsie 2000). These

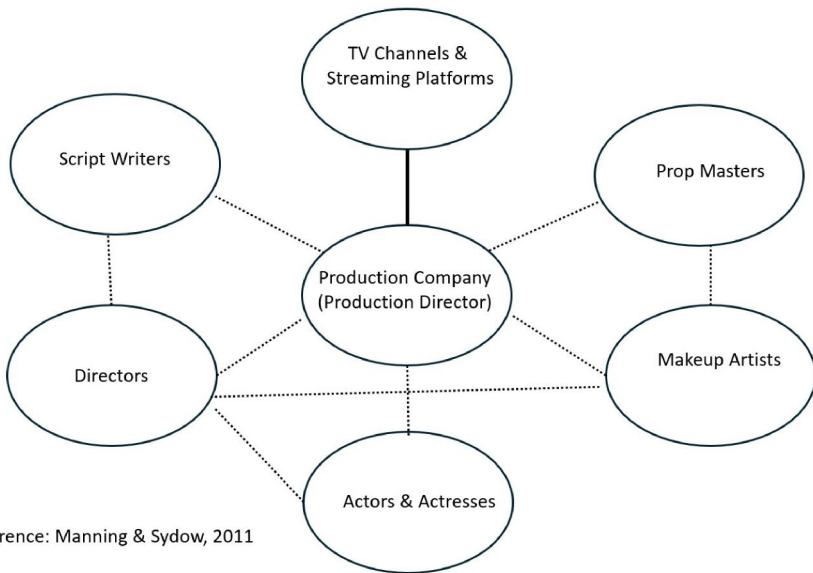


Figure 2. A prototype of TV drama production network. The figure depicts the key stakeholders within the television drama production system and their interrelationships. The circles represent the roles of various participants, including directors and scriptwriters, in the television drama production process. Solid lines indicate formal contractual relationships between these participants, while dotted lines signify informal subcontracting connections among them.

PDs often came from creative backgrounds and had years of experience, acting as brokers connecting various creative communities, including scriptwriters, talent agencies, and stylists (Lingo and O'Mahony 2010). In this role, they functioned as “tertius iungens” (third-party connectors) rather than “tertius gaudens” (third-party beneficiaries) (Burt 1992), thereby generating collective social capital for drama projects (Clement, Shipilov, and Galunic 2018). We depicted these network relationships centered around the PDs in Fig. 2.

Our database identified 490 unique PDs across 911 dramas broadcast between 2001 and 2015. Among these, only 13 PDs collaborated with the same production companies for multiple dramas, while the majority worked with different companies. This model of diverse collaborative projects, featuring an extensive array of production systems, may not have emerged without government deregulation, the enforcement of outsourcing policies, and the exit of large chaebols from the cultural content industry.

Other key stakeholders like scriptwriters and actors also organize themselves in a similar fashion. Scriptwriters in Korea mostly work independently in self-owned, small studios, and actors often work with agencies. This structure facilitates the flexibility of working with different PDs and production teams. Table 3 lists the number of drama scripts written by different scriptwriters for the 911 dramas broadcast between 2001 and 2015. No single scriptwriter, on average, worked on more than one drama per year. There is only one author who wrote 12 drama scripts in 15 years. Furthermore, these scriptwriters who worked on multiple dramas tended to collaborate with different PDs. Only one scriptwriter, Kim

Table 3. Distribution of number of drama scripts by scriptwriter in 2001–2015.

Number of scriptwriters	Number of drama scripts written during 2001–2015
1	12
7	10
3	9
9	8
6	7
15	6
18	5
22	4
22	3
56	2
243	1

The first column delineates the number of scriptwriters, while the second column indicates the corresponding number of dramas authored by these scriptwriters during the period from 2001 to 2015. For example, there is only one scriptwriter who produced twelve dramas during this period, seven scriptwriters who authored ten dramas each, three scriptwriters who wrote nine dramas, and so on.

Source: AC Nelson Korea, Conting, Naver.

Soo Hyun, worked with the same PD, Jung Eul Young, for six dramas. The majority (93%) of scriptwriters only collaborated with a specific PD for a single drama over a whole period of 15 years.

Our findings on the rare instances of repeated collaboration among creative workers align with those observed in other contexts, such as Broadway musicals (Uzzi and Spiro 2005) and German TV movie production in which “most creative service providers (CSPs), who are typically self-employed in the TV movie industry and were recruited for only *one* project” (Manning and Sydow 2011: 1378). The Italian TV program production teams often seek diversity among potential collaborators to avoid homogeneity and similarity in drama content. “This argument, based on the principles of network opportunity exploitation and strategic choice, implies that core team members may need to restructure their network in future collaborations. By spanning structural gaps, they can access the necessary diversity to mitigate issues related to high levels of content homogeneity among collaborators” (Zaheer and Soda 2009: 5).

How do production directors, the brokers in the production network, identify and locate suitable collaborating scriptwriters, entertainment agencies, and production teams within such a diverse and widespread talent pool? In our interview with a senior PD at PAN Entertainment, she highlighted the importance of a well-connected social network that is bolstered by various overlapping social institutions within the industry.

The friendship between the PD with screenwriters may happen in various ways. When he/she was an assistant director, he might have read a particular screenwriter's work, or when there was a script competition, he also participated in judging the script and participating in a sketch. In special cases, PDs with years of experience teach in a writer education class to get acquainted with the young screenwriters. There're also annual events in the writers' association or producer associations that allow many of the screenwriters to meet the producers and the directors. Many

of the interactions happen privately, through friends and by working on the same drama together.

This governance structure embedded in diverse networks allowed scriptwriters to work in small studios, providing ample time and space to explore new genres and creative storylines. Since broadcasters and production teams competed for limited broadcasting timeslots, it became vital to develop content that attracted and gratified audiences. Korean producers chose to shape the content by deliberately tapping into consumer preferences (Lampel, Lant, and Shamsie 2000: 266). For a typical drama of 16 to 20 episodes, the broadcaster evaluated the script as soon as about ten episodes were completed. After airing four to six episodes, scripts were tailored and rewritten based on audience response and ratings. Often, production continued while the drama was airing. The live-shooting system allowed for the reworking of plots or extension of screen time for popular characters, which catered to consumer tastes. Considering the high uncertainty facing this live-shooting model, the loose-coupled and non-redundant social networks by PD allow independent production companies to reduce their dependence on a particular partner and generate creative variety in developing and making drama projects (Manning and Sydow 2011: 1378).

5.4 Promotion and brokerage of state in international marketing and distribution

While the networks among creative workers facilitate flexibility and creativity in the production process, they may not be extensive or effective enough in marketing and distributing cultural products in overseas markets. Table 2 above shows that the Korean government has helped formulate a highly export-oriented media industry. Several agencies have been established to coordinate and facilitate the overseas marketing of Korean dramas. In this sense, Korean government played the role of developmental network state which links local production to global markets (Ó Riain 2004).

Relying on the government's diplomatic relationships, KBS has utilized state support to forge new business relationships with foreign broadcasters such as Japan's NHK. This relationship was instrumental in the distribution of the drama *Winter Sonata* to Japan, where it later became a hit. In countries where broadcasters have no prior relationships, government agencies like the Korean Foundation are crucial for initiating negotiations. A representative of the Korean Foundation said:

In the case of Spanish-speaking Latin America, a market [where] KBS or MBC was not yet established around 2012, we sent the countries in diplomatic relations with Korea the dubbed versions of dramas, and negotiated with the domestic broadcasting companies so the dramas could air—almost for free.

The agencies further facilitated the identification of issues and the sharing of market information with industry players. An executive of the Korean Foundation for Cultural Exchange explained that the information gathered and shared by their foundation is distinct from that of the marketing departments of various companies.

[From] the perspective of the producers, we take up the role of collecting the issues they have so that we can send reports to the government asking for measures in terms of policies. After that, we analyze the perspectives of the consumers and find out what kind of contents those people

want, or how they are rating the contents. We deliver that information to firms so that they can make their own judgment calls.

An interviewee from the Korea Creative Content Agency also explained how the agency was engaged in negotiations with the governments of targeted countries if the export encountered issues specific to the country level.

In January 2015, the Korean drama “My Love from the Star” was a big online hit in China. And because it was such a big hit, the Chinese government imposed some controls on the drama by adopting an online content deliberation process early on ... It was then perceived that our Chinese market might collapse because of this, and a special meeting was convened in order to come up with a solution. The meetings are still ongoing, and we always participate, and we receive opinions from personnel in the producing companies.

Our data further indicate that the initial distribution of Korean dramas in international markets was significantly bolstered by global partnerships between broadcasters and overseas TV stations, even though these stations are competitors in their domestic markets. A source from the largest Korean drama streaming website in Southeast Asia noted that these partnerships are often initiated by the government and tend to be more successful than efforts made by individual broadcasters acting alone. For instance, *My Love from the Star* was broadcasted in China via Baidu’s video-streaming affiliate, iQiyi.com, and has been viewed over 3.8 billion times (KOCIS and MCST 2015). In the United States, broadcasters have allied with Netflix, Hulu, Drama Fever, and Drama Crazy to disseminate their content via their respective networks and the internet (KOCIS and MCST 2015). Along with establishing strategic collaborations with overseas partners, the three primary broadcasters—KBS, MBC, and SBS—have also worked collectively to broaden their market into different regions. For instance, an online video streaming website called Korean Content Wave (Kocowa) was launched in the United States in 2017. Our interview evidence shows that government policies and agencies support the global expansion of the K-drama industry, where the production process is managed by networks of creative workers.

6. Discussion and conclusion

Through multiple data sources and methods, our study identifies an embedded network governance under supportive government policies for the development and globalization of the K-drama industry. In such a model, both the state and private actors simultaneously exert influence to enhance industry competitiveness. In existing literature, the state is often regarded as the entity providing long-term guidance and strategic support, while the private industry players contribute their know-how and capabilities (Johnson 1982; Wade 1990). However, in the system we identified, it’s difficult to assign a “leader” role to either the state or the private firms because the actions of one are contingent upon the actions of the other. It is challenging to determine whether it is a top-down or bottom-up scenario in this process. More importantly, the interaction between the government and private firms co-evolves, occasionally generating unintended or unexpected consequences for the industry. In this sense, public and private actions are highly interdependent, making them dynamic and mutually adaptable. For this model to succeed, an interdependent relationship between the state and the private sector is essential—specifically, a group of large and capable

domestic organizations, such as chaebols, contribute to the project execution capabilities and sophisticated marketing skills in the cultural content industry due to the government's supportive policies in the initial stage. When these chaebols exited the industry after 1997, multiple small independent firms inherited these capabilities through hiring key personnel remaining in the industry, facilitating the formation of a network governance system in the K-drama industry.

Our arguments suggest that the state effectively implements policies and infrastructure through its close yet autonomous relationships with the private sector (Evans 1995; Ó Riain 2004). Specifically, it distributes and markets cultural products, such as drama, for production companies and television channels in overseas markets. It also facilitates collaboration among these domestic channels to expand into overseas markets. Recently, the state has further facilitated connections between international capital and local production. Since 2017, the influx of investment from Netflix has linked local K-drama production and innovation networks with global capital and talent. This global connection extends beyond the distribution and marketing efforts the state undertook before 2017 to encompass the entire local production system. This situation exemplifies the institutional framework of a developmental network state, similar to what is observed in Ireland's high-tech industry (Ó Riain 2004).

As the "late-comer" economies in East Asia and other regions successfully industrialized (Amsden 2001), many of these states are now considering which sectors to prioritize to sustain or further boost economic growth. Several countries have identified cultural content production as a strategic industry. Our analysis demonstrates that both supportive state policies and effective network governance systems are essential for successful cultural content production, as neither is sufficient on its own. We hope our findings benefit scholars seeking to expand the traditional bureaucratic state approach to East Asia's growth in the cultural industry.

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Appendix

Table A.1. List of interviewees.

Interviewees position	Organization
Senior Executive	Korean Foundation
Researcher	Korea Foundation for International Culture Exchange
Researcher	Korea Foundation for International Culture Exchange
Senior Executive	Daiwa Securities Korea
Senior Executive	Korea Creative Content Agency
Executive	YG Entertainment
Executive	YG Entertainment
Executive	JYP Entertainment
Senior Executive	SM Entertainment
Senior Executive	MNET (cable TV channel)
Cultural critic	N.A.
Executive	Korean tourist association
Executive	PCCW Media, which owns and operates Viu
Senior Executive	Pan Entertainment

Table A.2. List of secondary data sources.

Secondary data			
Publisher	Title	URL	Language
Report			
KOCIS	K-drama: A New TV Genre with Global Appeal 2011	N.A.	English
KOCIS	K-drama: A New TV Genre with Global Appeal 2015	N.A.	English
News and Articles			
Forbes	K-Drama Streaming Sites Aim For Stateside Longevity, Even As DramaFever Closes	https://www.forbes.com/sites/tamarherman/2018/10/26/k-drama-streaming-sites-aim-for-stateside-longevity-even-as-dramafever-closes/#3f4f4a895716	English
IHS Markit	South Korean broadcasters launch Kocowa, a new online streaming service in the US	https://technology.ihs.com/594682/south-korean-broadcasters-launch-kocowa-a-new-online-streaming-service-in-the-us	English
BBC	The other big Korean drama right now	https://www.bbc.com/news/business-44453310	English

continued

Table A.2. *Continued*

Secondary data			
Publisher	Title	URL	Language
The Conversation	South Korea's public broadcasters are in an impossible political position	https://theconversation.com/south-koreas-public-broadcasters-are-in-an-impossible-political-position-85593	English
JAMCO Online International Symposium	Korea: Internet Distribution of Programs and Copyright Issues	http://www.jamco.or.jp/en/symposium/22/7/	English
VOX	Here's why millions of Americans are binge-watching Korean dramas	http://www.vox.com/2014/9/24/6832951/heres-why-millions-of-americans-are-binge-watching-korean-dramas	English
Fast Company	Are Boys Prettier Than Flowers? And Other Questions Answered By DramaFever, A Hulu For Asian TV	http://www.fastcompany.com/1826047/are-boys-prettier-flowers-and-other-questions-answered-dramafever-hulu-asian-tv	English
NBC News	Young, Female, and Hooked: Why Binge Watchers Flock to DramaFever	http://www.nbcnews.com/news/asian-america/young-female-hooked-why-binge-watchers-flock-dramafever-n300246	English
WSJ	Korean Soap Opera Website DramaFever Bought by SoftBank	http://blogs.wsj.com/korearealtime/2014/10/15/south-korean-soap-opera-website-sold-to-softbank/	English
WSJ	Warner Bros. to Acquire Korean Soap Opera Site DramaFever	http://www.wsj.com/articles/warner-bros-to-acquire-korean-soap-opera-site-dramafever-1456261623	English
The Korea Times	CJ E&M strikes multi-year TV and film partnership with DramaFever	http://www.koreatimesus.com/cj-em-strikes-multi-year-tv-and-film-partnership-with-dramafever/	English
DramaFever Press	DramaFever Recognized as Industry Leader by South Korean Government	https://www.dramafever.com/press/articles/dramafever-recognized-as-industry-leader-by-south-korean-government/	English
WSJ	Former Yahoo CEO Ross Levinsohn Joins Board of Hot Video Site With Korean Dramas	http://blogs.wsj.com/cmo/2014/07/08/former-yahoo-ceo-ross-levinsohn-joins-board-of-hot-video-site-with-korean-dramas/	English
SBS News	“美서 이민호 드라마 대박 ... '상속자들' 100만달러 벌어”	http://news.sbs.co.kr/news/endPage.do?news_id=N1002570617	Korean
Hankyung	'문화 콘텐츠 메이저리그' 입성한 한류	http://www.hankyung.com/news/app/newsview.php?aid=2016032597301	Korean

continued

Table A.2. *Continued*

Secondary data			
Publisher	Title	URL	Language
Chosun Biz	韓드라마 유통채널 드라마피버 창업자 “방송 소비패턴 달라져... 자체 제작 꿈꿔”	http://biz.chosun.com/site/data/html_dir/2013/12/01/2013120100667.html	Korean
Hankyung	“한국 드라마엔 가족이 있어... 따뜻함이 2030 美女 올려”	http://www.hankyung.com/news/app/newsview.php?aid=2015030626661	Korean
Financial News	“한국 드라마 2015년 세계 TV 패권 장악할 것”	http://www.fnnews.com/news/201409031507217941? t=y	Korean
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Quantitative data			
Source	Description		
AC Nelson and local streaming websites	Data of individual TV drama including broadcasters, airing days and times, and viewership ratings		

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