

Occasional Paper 2

# Doing business in South Korea: an overview of ethical aspects

BY JUDITH IRWIN

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**Doing business in South Korea: an overview of ethical aspects**

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# Introduction

**This report offers a synopsis of the business ethics climate in South Korea. It will be useful to companies operating in or considering entering the South Korean market.**

How mature is the field of corporate responsibility and business ethics in South Korea? What are the main issues of concern for business and its stakeholders? Recognising the cultural characteristics that influence approaches to business ethics helps a company to understand employees' responses in the face of ethical dilemmas. It is invaluable for the successful implementation of a company-wide ethics policy and programme.

The cultural factors influencing business ethics in South Korea are set out in Chapter 1.

Salient business ethics challenges in South Korea are identified and discussed in Chapter 2.

Lastly, current trends in business ethics and corporate responsibility in South Korea are explored in Chapter 3.

## 01

## Cultural factors influencing business ethics in South Korea

Korean culture reflects a mix of Asian religious influences combined with Confucian values and beliefs which permeate all areas of society, including the business world. Geert Hofstede's research, which compares the cultural traits of nationalities, provides a useful framework for understanding what this means and how it influences the business context.<sup>1</sup>

Hofstede identified five 'cultural dimensions' upon which he ranked nationalities on a scale of 1-100 (see Table 1).

**Table 1: South Korean cultural dimensions**

<i>Cultural dimension</i>	<i>South Korea</i>	
<b>Power distance</b>	60	High
<b>Individualism</b>	18	Low
<b>Masculinity</b>	39	Medium
<b>Uncertainty avoidance</b>	85	High
<b>Long-term orientation</b>	71	High

### Power distance

This dimension explores the extent to which the less powerful members of organisations and institutions accept and expect that power is distributed unequally. Hofstede gives South Korea a high score of 60, indicating a culture that accepts hierarchy, authority, and the unequal distribution of power in society. The ethical implications of this cultural trait would include the acceptability of a subordinate's obedience to a superior, even if instructed to perform an unethical act.

### Individualism

South Korea scored 18 in the individualism dimension. This is a very low score and indicative of a collectivist culture. A collectivist culture places greater value on the achievements of the group as opposed to the achievements of the individuals within a group. Speaking one's mind and confrontation are considered both rude and undesirable in such a culture. One ethical implication of a collectivist culture is the tendency for the members of a particular group to receive preferential treatment and the placing of high value on group harmony and conforming to group norms. Such harmony is often referred to in South Korea as 'inhwa'. This may mean an employee is unlikely to speak-up about a fellow group member in the event of unethical behaviour. In order to maintain group harmony, employees may also be less likely to challenge the integrity of a fellow group member or an external party (e.g. auditors).

<sup>1</sup> Geert Hofstede analyzed a large data base of employee values scores collected by IBM between 1967 and 1973 covering more than 70 countries. Geert updated his research in 2001, adding scores for an additional four countries. For more information see: [www.geert-hofstede.com](http://www.geert-hofstede.com)

### **Masculinity**

This dimension indicates the degree to which 'masculine' values such as competitiveness and the acquisition of wealth are valued over 'feminine' values like relationship building and quality of life. South Korea's score of 39 is indicative of a relatively 'feminine' culture. This reflects the emphasis that people place on cooperation and non-confrontational behaviour.

### **Uncertainty avoidance**

Hofstede's uncertainty avoidance dimension measures the willingness of individuals to tolerate the ambiguity of outcomes when going beyond the 'rules'. South Korea scored 85 in this dimension. This is a high score and indicative of a culture that has a cautious approach to uncertainty and averseness to risk. In such a culture, an employee may fail to use his or her own discretion in the event of an ethical dilemma (e.g. a conflict of interest) or where there is no explicit 'rule' to direct their action.

### **Long term orientation**

This dimension indicates a society's time perspective. South Korea's score of 71 is indicative of a culture that is long term oriented i.e. emphasises perseverance, thriftiness and ordering relationships by status and observing this order. Many of these traits are founded in Confucianism and are common to various Asian cultures.

#### **Box 1:**

#### **Characteristics typically associated with South Korean organisational culture\***

- Greater value placed on achievements of the 'group' over and above that of the 'individual'
- Risk adverse
- Unlikely to challenge the integrity of a colleague
- Value relationships over competitiveness
- Emphasis on obedience of superiors

*\*relative to other nationalities*

## 02

## Salient business ethics challenges

Companies and their employees can be faced with ethical challenges on a daily basis no matter where they operate. Some country markets may be associated with certain ethical issues more than others. In South Korea, corruption, standards of corporate governance and employees' willingness to speak up are some of the most salient ethical issues affecting businesses operating in the country.

### 1. Corruption

A recent poll by the South Korean Anti-Corruption and Civil Rights Commission, found that 76.8% of middle and high school students judged South Korea to be corrupt.<sup>2</sup> More than 80% of the surveyed students identified 'political parties and the legislature' as the most corrupt institutions and 24% chose 'government ministries and agencies'. When asked what the major forms of corruption were, 34.5% cited 'nepotism' followed by 'lack of anticorruption related legislation and institutions' (21.7%), and 'too light punishment against those implicated in corruption' (21.1%). Evidence of such issues can be found in the media (see Box 2).

#### Box 2:

#### Examples of corruption and related issues in the media

##### 147 KT Officials Nabbed for Receiving Kickbacks

7th July 2009

A total of 147 current and former executives and employees of KT Corp., the nation's largest fixed-line telephony company, are suspected of having received kickbacks from subcontractors, prosecutors said Tuesday. The prosecution ordered KT to take internal disciplinary action against 123 staffers who received relatively small bribes. Investigators are also looking to extradite a subcontracting company president who fled to China.

[http://www.koreatimes.co.kr/www/news/nation/2009/07/117\\_48095.html](http://www.koreatimes.co.kr/www/news/nation/2009/07/117_48095.html)

##### South Korea Pardons Samsung's Ex-chief Lee Kun-hee

29th December 2009

The South Korean government has decided to pardon the powerful former chairman of Samsung, convicted for tax evasion, the justice ministry has said. Lee Kun-hee is to be pardoned so he can return to the International Olympics Committee and help South Korea's bid to host the 2018 Winter Olympics. Mr Lee was pardoned on a separate funding conviction in 1997. Presidential pardons are often granted to leaders of South Korea's large, family-owned businesses or "chaebols". South Korea's Yonhap news agency said the pardon raised questions about the rule of law in a country where family-run chaebols still wield a lot of power.

<http://news.bbc.co.uk/1/hi/world/asia-pacific/8433297.stm>

*continues*

<sup>2</sup> 'Corrupt Images', The Korea Times, 26th June 2009  
[https://www.koreatimes.co.kr/www/news/opinion/2009/06/169\\_47523.html](https://www.koreatimes.co.kr/www/news/opinion/2009/06/169_47523.html)

**Box 2:**  
*continued***Public Enterprise CEOs Appointed on Cronyism**  
**27th July 2008**

President Lee Myung-bak's administration is appointing heads of public enterprises and institutions based on cronyism, according to a local newspaper, Thursday. Cronyism was especially rampant in the financial sector. Among 13 public financial firms where new CEOs or auditors were appointed, over 70 percent were from Gyeongsang Province.

[http://www.koreatimes.co.kr/www/news/biz/2009/08/123\\_28291.html](http://www.koreatimes.co.kr/www/news/biz/2009/08/123_28291.html)

In Transparency International's (TI) Global Corruption Barometer, 700 members of the South Korean general public were asked to rate the extent to which they perceived a series of institutions in the country to be affected by corruption (1: not corrupt; 5: extremely corrupt). Table 2 outlines the results.<sup>3</sup>

**Table 2: Global Corruption Barometer 2009**

<i>Institution</i>	<i>Average score</i>
<b>Political Parties</b>	4.3
<b>Parliament/Legislature</b>	4.2
<b>Business/Private Sector</b>	3.8
<b>Public Officials/Civil Servants</b>	3.7
<b>Judiciary</b>	3.6
<b>Media</b>	3.6

Respondents were also asked to assess the current government's actions in the fight against corruption; 81% considered the government's efforts effective.<sup>4</sup>

In another TI survey, senior business executives from 26 countries were interviewed. The results were used as the basis for their 2009 Bribe Payers Index (BPI). Business executives were asked to what extent they perceived a range of institutions in the country to be affected by corruption (1: not corrupt; 5: extremely corrupt). Table 3 presents the views of South Korean executives.<sup>5</sup>

**Table 3: Bribe Payers Index 2009**

<i>Institution</i>	<i>Average score</i>
<b>Parliament/legislature</b>	4.0
<b>Political parties</b>	3.9
<b>Media</b>	3.6

<sup>3</sup> Transparency International Global Corruption Barometer, 2009  
[http://www.transparency.org/policy\\_research/surveys\\_indices/gcb/2009](http://www.transparency.org/policy_research/surveys_indices/gcb/2009)

<sup>4</sup> Ibid

<sup>5</sup> Transparency International Bribe Payers Index, 2009  
[http://www.transparency.org/news\\_room/latest\\_news/press\\_releases/2008/bpi\\_2008\\_en](http://www.transparency.org/news_room/latest_news/press_releases/2008/bpi_2008_en)

**Table 3:** Bribe Payers Index 2009  
*continued*

<i>Institution</i>	<i>Average score</i>
<b>Registry and permit services</b>	3.5
<b>Education system</b>	3.4
<b>Police</b>	3.4
<b>Medical services</b>	3.2
<b>Tax revenue authorities</b>	3.2
<b>Business/private sector</b>	3.1
<b>Religious bodies</b>	3.1
<b>Judiciary</b>	3.1
<b>The military</b>	3.0
<b>Customs</b>	3.0
<b>NGOs</b>	2.9
<b>Utilities</b>	2.5

Further findings from the BPI survey showed that approximately 16% of South Korean respondents reported the use of personal and family relationships on public contracting as frequent practice, 14% considered paying bribes to high-ranking politicians or political parties to be frequent practice, and a further 14% stated bribery to low-level public officials to ‘speed things up’ as a frequent practice in South Korea. Interestingly, fewer business executives rendered the Government’s efforts to fight corruption as ineffective, when compared to the results for the general public: 55% felt that it was ineffective, 14% very effective and 19% neither.<sup>6</sup>

Other measures such as TI’s Corruption Perception Index (CPI) indicate a positive trend in the fight against corruption. In 2007, South Korea was ranked as the 43rd most corrupt country out of 180. In 2009, it was placed 39th - a positive shift - and 22nd amongst the 30 member nations of the Organization for Economic Cooperation and Development (OECD).<sup>7</sup> This progress could be the result of several Government initiatives to tackle corruption and promote transparent business practices (see Box 3).

<sup>6</sup> Ibid

<sup>7</sup> Transparency International Corruption Perception Index, 2009  
[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009)

**Box 3: South Korean government's anti-corruption initiatives***Legislation*

- Anti-corruption Act (ACA) (2001)
- Prevention of Money Laundering Act (2001)
- Foreign Bribery Prevention Act in International Business Transactions (1998)
- Special Act on Confiscation and Recovery of Assets Resulting from Corruption

*Commissions*

- Anti-Corruption and Civil Rights Commission (ACRC) (2008) (formed by the amalgamation of the Korea Independent Commission Against Corruption<sup>8</sup>, the Ombudsman of Korea and the Administrative Appeals Commission)
- United Nations Global Compact Korea Network

*Signatories*

- UN Convention on Corruption
- UN Convention on Transnational Organized Crime
- Asia-Pacific Asian Development Bank/OECD Anti-Corruption Initiative for Asia-Pacific
- Transparency International Integrity Pact
- OECD Convention on Combating Bribery of Public Foreign Officials in International Business Transactions

**2. Corporate Governance**

To date, much of South Korea's economic prosperity has been on the back of conglomerates (traditionally referred to in South Korea as *chaebol*) such as Hyundai Motor Co., Daewoo, LG Electronics and Samsung. The governance structure of the *chaebol* is somewhat complex, typically consisting of many diversified and legally independent affiliates, all of which are governed by a controlling shareholder family. Prior to the Asian Financial Crisis of 1997, the governance structure of the *chaebol* was relatively ineffective, there was little transparency, and many *chaebol* executives also had a strong presence in the political arena.

Numerous efforts have been made to improve the corporate governance structure, mainly as a result of pressure from the International Monetary Fund (IMF) which provided the country with financial aid during the crisis. The South Korean Government has implemented numerous initiatives to move the country towards a more Anglo-American model of corporate governance (see Box 4).

**Box 4: Key initiatives on corporate governance reform**

- Adoption of international accounting standards and increase in liabilities of accounting firms.
- Moves to enable institutional investors to exercise their voting rights and expansion of the range of issues requiring shareholder approval.
- Increase in legal liabilities of major shareholders involved in management.
- Requirement for the Board of Directors to have a majority of independent Directors.

*continues*

<sup>8</sup> Prior to the Korea Independent Commission Against Corruption's amalgamation, the Commission produced the 'OECD Anti-Bribery Convention Guidebook' as a tool to raise awareness. The Guidebook was distributed to public and private organizations, SMEs, professional bodies, etc.

**Box 4:**  
*continued*

- Necessity for outside directors to account for at least a quarter of the total number of corporate board members for firms listed on the Korean Stock Exchange.
- Requirement for related party transactions of large listed firms to be approved by directors and reported at the shareholder meeting.
- New reporting requirements for companies listed on the Korean Stock Exchange.
- Increased rights for minority shareholders.
- Member of the Asian Roundtable on Corporate Governance.

A Code of Best Practice for Corporate Governance was launched by the Committee on Corporate Governance in 1999.<sup>9</sup> The Code focuses on five key areas of corporate governance: shareholders; board of directors; audit systems; stakeholders; and management monitoring by the market and is based on the Organisation for Economic Cooperation and Development's (OECD) Principles of Corporate Governance. It serves as a voluntary guide for listed and other public Korean companies.

Whilst there is no precise measure available as to the effectiveness of the Code, some indications can be drawn from the World Bank's Worldwide Governance Indicators (WGI) project.<sup>10</sup> The Indicators capture the performance of the country between 1996 and 2008 in six dimensions of governance (see Table 4). The results show that overall, South Korea's corporate governance climate is generally lower in 2008 than in 2007, and has only marginally increased since 2006.

**Table 4: Worldwide Governance Indicators for South Korea**

<b>Governance dimension</b>	<b>Percentile rank*</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Voice and accountability</b>	65.4	67.8	65.9
<b>Political stability and absence of violence/terrorism</b>	59.8	62.5	59.6
<b>Government effectiveness</b>	86.3	88.2	86.3
<b>Regulatory quality</b>	72.9	78.6	70.7
<b>Rule of law</b>	74.2	81.4	71.9
<b>Control of corruption</b>	69.6	70.5	68.4

\* indicates rank of country among all countries in the world. 0 corresponds to lowest rank and 100 corresponds to highest rank.

<sup>9</sup> The Committee is a non-government body, established with the backing of the 'Korea Corporate Governance Service' (KCGS). The KCGS differs fundamentally from the likes of the U.S. Securities and Exchange Commission (SEC) in that it has no formal authority to enforce compliance. The Korea Corporate Governance Service is a non-profit organization funded by six organisations: Korea Stock Exchange (KSE); Kosdaq Stock Market; Korea Securities Dealers Association; Korea Listed Companies Association; Asset Management Association of Korea; and Kosdaq Listed Companies Association. See [http://www.ecgi.org/codes/documents/code\\_korea.pdf](http://www.ecgi.org/codes/documents/code_korea.pdf)

<sup>10</sup> Worldwide Governance Indicators (WGI) project <http://info.worldbank.org/governance/wgi/index.asp>

### 3. Speaking-up

Reflecting the Confucian values of loyalty to one's group and respect for hierarchy, the willingness of South Koreans to speak up or 'blow the whistle' on fellow employees if they become aware of unethical practice is extremely low. Research conducted by recruitment agency *Saramin* in 2008 found that 92% of 1,138 professional men and women in South Korea said they would not report on a colleague's unethical conduct.<sup>11</sup>

In an attempt to change this trend, the South Korean government launched the Korean Whistleblower Protection System in January 2002.<sup>12</sup> Under the System, there are official procedures for disclosing corrupt practices and legal protection for the person speaking-up. People reporting malpractice may also be financially rewarded if their report brings about benefits to related public authorities. In 2002, the government gave out some 740,000 won (approximately £400), and the amount has steadily increased with 328 million won (approximately £180,000) being awarded to just 18 employees reporting corrupt practices in 2008.<sup>13</sup>

<sup>11</sup> 'Only 8% of workers blow the whistle', The Korean Times, 21st October 2008  
[http://www.koreatimes.co.kr/www/news/biz/2008/10/123\\_33051.html](http://www.koreatimes.co.kr/www/news/biz/2008/10/123_33051.html)

<sup>12</sup> 'For more information on the whistleblowing and protection and reward system in South Korea see:  
<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN019157.pdf>

<sup>13</sup> 'Whistleblower Reward Program Reaches New Record', The Korean Times, 9th December, 2008  
[http://www.koreatimes.co.kr/www/news/nation/2008/12/116\\_35849.html](http://www.koreatimes.co.kr/www/news/nation/2008/12/116_35849.html)

## 03

## Current trends in business ethics and corporate responsibility

South Korean companies are generally much more aware of corporate responsibility (CR) and business ethics than they were a decade ago. This is reflected in the number of companies producing CR reports (stand alone or integrated in annual reports) which has increased from 11% in 2005 to 42% in 2008 (based on a sample of the 100 largest companies by revenue in South Korea). Reporting is most prevalent in the electronic and computers, utilities and oil and gas sectors. Many companies regard third party verification as important for ensuring the objectivity of their reports, with 67% of those reporting including a formal assurance statement.<sup>14</sup>

### 1. CR management and performance

Much CR activity focuses on philanthropy and community engagement. The launch of the government's 'Green New Deal'<sup>15</sup>, in which it committed to spending £25bn on environmental projects, and the establishment of the 'Green Growth Committee'<sup>16</sup> in 2009, has spurred many companies to step up their environmental and sustainability initiatives.

A 2008 study of CR trends among Korean Stock Exchange listed companies by the consultancy *SolAbility* identified several areas of 'success' and 'challenges' (see Box 5).<sup>17</sup>

#### Box 5:

#### CR Successes and Challenges in South Korea

- **ACR Strategy and Sustainability Reports**

*Success:* Since 2001, the number of companies on the Korean Stock Exchange publishing sustainability reports went from zero to 55%. Traditionally there is a strong sense of corporate philanthropy in South Korea, which has been in place for a long time.

*Challenge:* CR is less fully integrated into business strategy and management thinking. Korean companies still have room to improve their strategic use of CR.

- **Corporate Governance**

*Success:* Most Korean companies have a formal governance framework in place.

*Challenge:* Although the government has been encouraging stronger board independence, truly independent boards are less common.

*continues*

<sup>14</sup> KPMG International Survey of Corporate Responsibility Reporting 2008  
[http://www.kpmg.nl/docs/Corporate\\_Site/Publicaties/Corp\\_responsibility\\_Survey\\_2008.pdf](http://www.kpmg.nl/docs/Corporate_Site/Publicaties/Corp_responsibility_Survey_2008.pdf)

<sup>15</sup> 'Asian giants sign up to "Green New Deal" policies', BusinessGreen.com, 27th January 2009  
<http://www.businessgreen.com/business-green/news/2233419/asian-giants-sign-green-deal>

<sup>16</sup> Official launch of Green Growth Committee, The Presidential Office, 16th February 2009  
[http://www.president.go.kr/kr/president/news/news\\_view.php?uno=481](http://www.president.go.kr/kr/president/news/news_view.php?uno=481)

<sup>17</sup> SolAbility, Corporate Sustainability, Survey and Trends, Korea, 2009  
[http://www.solability.com/CSR\\_ESG\\_Sustainability\\_Korea\\_2009.pdf](http://www.solability.com/CSR_ESG_Sustainability_Korea_2009.pdf)

**Box 5:**  
*continued***• Code of Ethics**

*Success:* Most companies have their own ethics codes.

*Challenge:* There is still a high level of violations of the Code, especially with regard to illegal price agreements between companies.

**• Energy Efficiency**

*Challenge:* South Korea's economy is very dependent on high-energy use industries. There is a need to take energy efficiency more seriously.

**• Climate Change**

*Success:* Some companies are taking the lead by voluntarily cutting emissions.

*Challenge:* Based on the current Kyoto agreements, South Korea is not obligated to cut its emissions. This has made it more difficult to get a majority of companies to do so.

**• Workforce**

*Success:* South Korea has a very well educated workforce. Most companies are implementing performance incentives for their employees. Safety standards are also very high in most companies.

*Challenge:* South Korea's population is aging fast, a trend many companies have not fully addressed. There is also a need to address new employee issues such as stress management and a fair work-life balance.

*Source:* <http://www.ethicsworld.org/corporatesocialresponsibility/surveysandtrends.php#SouthKorea>

Comprehensive ethics programmes (including establishment of codes of ethics, training employees, creation of ethics committees at board level etc.) have become commonplace in large South Korean companies. Research conducted by the Federation of Korean Industry in October 2008 showed that out of 200 member corporations, 95% had adopted a code of conduct and 91.3% ran business ethics training.<sup>18</sup>

**2. Indices**

Many South Korean companies feature in ethical and CR related rankings. The Accountability Rating, which measures the extent to which companies have built responsible practices into the way they do business, included four South Korean companies in 2008.<sup>19</sup> A similar ranking, Covalence EthicalQuote, measures the ethical reputation of multinational companies and listed ten South Korean companies as being amongst the leaders in their sectors in 2008.<sup>20</sup>

More generally, the country was classified as 'low risk' by Maplecroft and Norton Rose in their 2009 Legal and Regulatory Environment Index.<sup>21</sup> The index ranks countries on aspects such as business integrity, corporate ethical behaviour, efficacy of corporate boards and corruption.

<sup>18</sup> Corporate Responsibility in Northeast Asia – South Korea, Angela Joo-Hyun Kang and Joseph Joo-Sueb Lee, 14th March 2009 [http://www.corporation2020.org/new\\_documents/Corporation2020\\_EEWG\\_Paper1\\_South%20Korea\\_031409.pdf](http://www.corporation2020.org/new_documents/Corporation2020_EEWG_Paper1_South%20Korea_031409.pdf)

<sup>19</sup> The Accountability Rating 2008, AccountAbility [http://www.accountabilityrating.com/about\\_the\\_rating.asp](http://www.accountabilityrating.com/about_the_rating.asp)

<sup>20</sup> Covalence Ethical Ranking, Q3 2009 <http://www.covalence.ch/index.php/ethical-rankings/>

<sup>21</sup> Maplecroft and Norton Rose, Legal and Regulatory Environment Index, 2009 [http://www.maplecroft.com/portfolio/legal\\_reg/atlas/](http://www.maplecroft.com/portfolio/legal_reg/atlas/)

Korea also has its own rankings such as the Korean Business Ethics Index. Launched in 2003, the index is compiled by the Ministry of Knowledge Economy and the Institute for Industrial Policy Studies. It provides a basic framework for evaluating the ethical management of public and private companies. More recently, the Dow Jones Sustainability Index (DJSI) launched two indices in South Korea in October 2009; the DJSI Korea (tracks the financial performance of the top 30% in terms of sustainability of the 200 biggest companies in South Korea) and a subset index, the DJSI Korea 20 (tracks the performance of the 20 largest companies in South Korea which have been included in the DJSI Korea).<sup>22</sup>

Such ratings help to raise awareness of business ethics. They also serve as an indication that the issue is being taken seriously by the investment community which in turn may encourage companies to do the same.

Some examples of South Korean companies with mature ethics programmes are listed in Box 6.

**Box 6: South Korean companies with mature business ethics programmes**

Hyundai Motor	LG Electronics
Kia Motors	Samsung Electronics
POSCO	KT Corp
LG Chem	SK Telecom
GS Engineering & Construction	Korea Electric Power

### 3. Third sector

The ‘third sector’ (non-governmental agencies and not-for-profit organisations) has had a significant impact on promoting responsible business practice in South Korea. There are a growing number of industry, professional and educational bodies that seek to promote and build awareness of CR and business ethics. Some of the main organisations include:

- *Federation of Korean Industry (FKI)*  
FKI is a business association representing more than 420 Korean corporations. Since the 1997 financial crisis, the Federation has sought to promote transparent and ethical business management practice in the private sector. The organisation introduced a Corporate Ethics Committee shortly after the financial crisis and have since introduced a Charter of Business Ethics which it encouraged member organisations to adhere to and in 2007 launched a comprehensive self assessment tool, FKI-BEX (Business Ethics Index) to help corporations evaluate their CR and business ethics programmes. The tool is available on the FKI website.
- *Korean Academy of Business Ethics (KABE)*  
Launched in 2003, KABE hosts an annual award – ‘Ethics Enterprise Award’ which recognises companies for ethical management practices.

<sup>22</sup> SAM, Dow Jones Indexes and KPC launch Dow Jones Sustainability Korea Indexes, 20th October 2009  
[http://www.sustainability-index.com/djsi\\_pdf/news/PressReleases/SAM\\_PressRelease\\_091020\\_DJSI\\_Korea.pdf](http://www.sustainability-index.com/djsi_pdf/news/PressReleases/SAM_PressRelease_091020_DJSI_Korea.pdf)

- *Transparency International – Korea (TI Korea)*  
TI is a global non-profit organisation that seeks to promote a transparent, corruption free, ethical business environment. TI Korea was formed in 1999 through a coalition of civil organisations. The organisation works together with citizens, government organisation and businesses to encourage a transparent and corruption free society.
- *The Institute for Industrial Policy Studies (IPS)*  
Launched in 2003, the IPS run the 'B.E.S.T' Forum (Business Ethics is the Source of Top performance) - a multi-stakeholder forum for industry which aims to promote best practice in ethics management.
- *Asian Institute of Corporate Governance (AICG)*  
Part of Korea University, the AICG encourages academic research, engagement in government policy development and provides training programs for top-level business managers. It is one of the leading research bodies within Asia on this area.
- *Centre for Good Corporate Governance*  
A professional research centre established by experts and activists who had been at the forefront of movements for chaebol reform and financial market reform, the Centre is devoted to improving corporate governance system in South Korea.
- *Hills Governance Centre, Yonsei University (HGCY)*  
The HGCY seeks to promote good governance across the private, public, and civic sectors by addressing institutional sources of corruption and promoting transparency and accountability within and among those sectors.

# Summary

The context for doing business in South Korea, a key player in the global economy, has dramatically changed over the last decade. CR and business ethics has risen up the agenda of business around the world and, as this paper has shown, it has risen up the agenda of both the government and corporate South Korea.

Cultural influences, many stemming from traditional Confucian values such as group harmony and respect for seniority, bear significant influence over employees' behaviour in the workplace.

Corruption, standards of corporate governance and employees' willingness to speak up continue to be some of the most salient business ethics issues facing companies operating in South Korea today. An array of initiatives have been implemented by the government and indices explored in this report show that generally, the business ethics climate is improving.

Codes of ethics are becoming common place in large South Korean companies. Simultaneously, the investment community and third sector are promoting responsible behaviour through the establishment of the DJSI Korea, and provision of forums where companies can discuss best practice.

For companies operating in South Korea or those considering entering the market, understanding the ethical aspects and challenges of doing business in the country will assist in shaping an effective ethics programme.

## Further resources

Anti-corruption and Civil Rights Commission

[http://www.acrc.go.kr/eng\\_index.jsp](http://www.acrc.go.kr/eng_index.jsp)

Asian Corporate Governance Association

<http://www.acga-asia.org/>

Asian Institute of Corporate Governance

<http://163.152.84.199/>

Business and Human Rights Resource Centre: South Korea

<http://www.businesshumanrights.org/Categories/RegionsCountries/AsiaPacific/SouthKorea>

Centre for Good Corporate Governance

<http://www.cgcg.or.kr/?lang=en>

CSR Asia

<http://www.csr-asia.com/>

Fair Trade Commission

<http://eng.ftc.go.kr/>

Federation of Korean Industries

<http://www.fki.or.kr/en/>

Financial Services Commission (FSC)

<http://www.fsc.go.kr/eng/index.jsp>

Hills Governance Centre, at Yonsei University

<http://hills.yonsei.ac.kr/default.asp>

Korean Academy of Business Ethics

<http://www.kaobe.or.kr/>

Korea Corporate Governance Service

<http://www.cgs.or.kr/eng/index.asp>

Korea Development Institute

[http://www.kdi.re.kr/kdi\\_eng/main.jsp](http://www.kdi.re.kr/kdi_eng/main.jsp)

Korean Federation of Trade Unions

<http://www.kctu.org/>

Korea Human Rights Foundations

<http://www.humanrights.or.kr/eng>

Korean Labour Institute

<http://www.kli.re.kr/>

Ministry of Gender Equality

<http://english.moge.go.kr/index.html>

Ministry of Labour

<http://www.molab.go.kr/english/main.jsp>

Transparency International, Korea

[http://ti.or.kr/\\_2007/eng/english.php](http://ti.or.kr/_2007/eng/english.php)

The Institute for Industrial Policy Studies

<http://www.ips.or.kr/english/>

UK Foreign and Commonwealth Office, South Korea

<http://ukinkorea.fco.gov.uk/en/>



## The Institute of Business Ethics

*The IBE was established in 1986 to encourage high standards of business behaviour based on ethical values.*

**Our vision** To lead the dissemination of knowledge and good practice in business ethics.

**What we do** We raise public awareness of the importance of doing business ethically, and collaborate with other UK and international organisations with interests and expertise in business ethics.

**We help organisations to strengthen their ethics culture and encourage high standards of business behaviour based on ethical values.** We assist in the development, implementation and embedding of effective and relevant ethics and corporate responsibility policies and programmes. We help organisations to provide guidance to staff and build relationships of trust with their principal stakeholders.

*We achieve this by:*

- Offering practical and confidential advice on ethical issues, policy, implementation, support systems and codes of ethics
- Delivering training in business ethics for board members, staff and employees
- Undertaking research and surveys into good practice and ethical business conduct
- Publishing practical reports to help identify solutions to business dilemmas
- Providing a neutral forum for debating current issues and meetings to facilitate the sharing of good practice
- Supporting business education in the delivery of business ethics in the curriculum
- Offering the media and others informed opinion on current issues and good practice. Please contact us if you would like assistance.

**The IBE is a charity based in London. Our work is supported by corporate and individual subscribers.**



Institute of  
Business Ethics

## Doing business in South Korea: an overview of ethical aspects

**This report provides a synopsis of the business ethics climate in South Korea. It will be useful to companies operating in or considering entering the South Korean market.**

**It explores the cultural factors influencing business ethics in South Korea, the salient business ethics challenges that companies face and current trends in business ethics and corporate responsibility.**

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