



## G20: South Korea

As subscribers to our newsletter will know, we are looking at the G20 group of major economies and this month our attention returns to South Korea. An independent kingdom for much of its long history, Korea was occupied by Japan beginning in 1905, following the Russo-Japanese War. In 1910, Tokyo formally annexed the entire Peninsula. Korea regained its independence following Japan's surrender to the United States in 1945. After World War II, a democratic-based government (Republic of Korea, ROK) was set up in the southern half of the Korean Peninsula while a communist-style government was installed in the north (Democratic People's Republic of Korea, DPRK). During the Korean War (1950-53), US troops and UN forces fought alongside ROK soldiers to defend South Korea from a DPRK invasion supported by China and the Soviet Union. A 1953 armistice split the peninsula along a demilitarised zone at about the 38<sup>th</sup> parallel.

Since the 1960s, the Republic of Korea has set world records in economic growth and development, with a focus on heavy industry and manufactured exports. Today, South Korea is the world's twelfth-largest economy and leading global supplier of LCD screens, memory chips and mobile phones. The country's population is highly educated – 74 per cent of South Koreans hold postgraduate-level degrees – and technologically advanced with the world's highest level of broadband penetration.

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 complex, typically consisting of many diversified and legally independent affiliates, all of which are governed by a controlling shareholder family. 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 Asian Financial Crisis of 1997.

Han is a difficult Korean concept which requires an understanding of the context in which it is used. Han is frequently translated as sorrow, spite, rancor, regret, resentment or grief, among many other attempts to explain a concept that has no English equivalent. Han is an inherent characteristic of the Korean character and as such finds expression, implied or explicit, in nearly every aspect of Korean life and culture. Some South Koreans say the role of *han* is now diminished. "Our lives have improved dramatically over the last generation, so it has less meaning," Kim Young-sook, a grandmother of four, said as she shopped in one of the nation's most exclusive department stores. "I'm very happy these days. I no longer let *han* rule my life." Other Korean cultural values and norms include:

**Harmony:** Facts, logic and conclusions are often not nearly as important as how one is looked upon by others. Friendships are tight-knit and valuable. It is an insult to refuse a friend's request. It is even less forgivable to fail a superior. These friendships are possible because everyone does his or her best to preserve and foster harmony and good feelings. The bearer of bad news may smile to soften the blow. S/he may avoid giving the news, even if s/he is merely the messenger and in no way responsible for it.

It is very hard for Koreans to admit failure and it is devastating to lose face in Korean culture. The directness of Westerners is thoroughly uncomfortable to many Koreans (especially older and/or more traditional people). In Korea, it is of unparalleled importance to maintain *kibun*.

**Kibun** – The word *kibun* has no literal translation in English. However, as a concept that permeates every facet of Korean life, it can be described in terms of pride, face, mood, or state of mind. In order to maintain a Korean's sense of Kibun, particularly in a business context, one must show the proper respect and avoid causing loss of face. In a culture where social harmony is essential, the ability to identify another's state of mind, often referred to as *nunchi*, is crucial to successful business ventures. For this reason, you must be aware of subtleties in communication, observing non-verbal and indirect cues that often suggest the true sense of what is being communicated.

The literal translation of *nunchi* is "eye-measure". With *nunchi*, Koreans are using non-verbal cues to convey emotion and meaning through various means, including voice pitch and volume as well as intonation.

**Confucianism** - Although it is not seen as a religion in this increasingly Christian society, and it is no longer part of the 'public' school curriculum, Confucianism still plays an important role in Korean society. Confucian ideals such as *chung* / loyalty; *hyo* / filial piety; *in* / benevolence, and *sin* / trust are still part of the cultural fabric and thought that still exists in day-to-day administrative and organisational hierarchies.

**Personal Relationships** - In Korea, personal relations frequently take precedence over business. In order to be successful, it is vital to establish good, personal relationships based on mutual trust and benefit. One of the modern ways of developing mutual trust and cementing a personnel relationship is the practice of getting closer through alcohol. However, there is growing recognition in Korean society that getting drunk for business reasons may not really be good for business and younger, health conscious workers are opting for alternative ways of bonding when they can. A traditional practice of 'gift-giving' is also being addressed in many sectors as anti-corruptions practices and policies are increasingly being implemented.

Finally, the Korean business world is still male-centered and male-dominated. However, women are beginning to gain some inroads, but the glass ceiling is very low still. This reality does present some special challenges to foreign women who to there here to work.