1-1-1989

# Korean Value Systems and Managerial Practices

Dong Ki Kim

Chong W. Kim
*Marshall University*, kim@marshall.edu

### Recommended Citation

# 15

# Korean Value Systems and Managerial Practices

## DONG KI KIM

## AND CHONG W. KIM

Human beings are by nature sociocultural creatures. Our behavior is influenced not only by traditional value systems but also by contemporary education and training. In the same manner, the managerial practices of Korean managers are strongly influenced by the norms and value systems of the traditional Korean society. But, as the society changes from an agrarian society to an industrialized one, so does the behavior of Korean managers. This chapter focuses on the process of this change. More specifically, it will look at the effects of traditional value systems and those of industrialization on Korean managerial practices.

## TRADITIONAL KOREAN VALUE SYSTEMS

One dominant factor that has influenced the behavior of Korean managers is Confucianism. Confucianism is a school of teaching by the great Chinese philosopher Confucius. The core of his teaching focuses on the maintenance of proper relationships between the king and his subjects, father and son, husband and wife, the young and old, and friends. These relationships are to be governed by appropriate rules: (1) filial piety to parents, (2) loyalty to the king, (3) respect to the elder, (4) obedience to husband, and (5) trust between friends (Ryu, 1980). Confucianism is also a philosophy of peace that emphasizes the importance of harmony and equality (Hu-Hsiang, 1982). First, without harmony and equality, there cannot be peace in its true sense. When harmony is disrupted, antagonism will occur. By the same token, when equality is lost, unfairness provokes quarrels and conflicts among people. In the Confucian teachings, harmony is the most important virtue and inequality is even worse than poverty. Second, in the pursuit for peace, harmony and equality are indivisible partners. Peace without

harmony may appear to be balanced on the surface but unstable in content and cannot last very long. On the other hand, equality without harmony cannot last because it lacks mutual sympathy and voluntary cooperation. Third, harmony is composed of humanitarianism, which overcomes hatred, and is based upon sympathy and empathy. Hence humanitarianism is a spirit of nonviolence. Fourth, harmony is not a static phenomenon but a dynamic cooperation, a rhythmic operation of the ying-yang principles. The yang is the active energy, and the ying is the passive one. Through their complementary interactions, harmony is achieved. Fifth, equality in Confucianism is a necessary condition for harmony among people. Sixth, coexistence of harmony and equality is possible only when diversified views and the spirit of fair play can be coordinated together. These principles of harmony, equality, and peace are to guide human interactions in organizations.

Like any other religion or teaching, Confucianism has its merits and demerits. Confucianism, when practiced correctly, makes an individual mature in his personality, fosters loyalty and trust among organizational members, restores justice and order in a society, and helps to maintain the sovereignty of a nation. Confucianism, in a sense, is a humanitarian philosophy, excluding all inhumane elements and upholding the spirit of justice. People today usually value scientific thinking very highly, upholding rationalism or intellectualism as the ideal. However, Confucianism emphasizes virtue more than the reasoning of a human being, thus stressing the whole personality (Ryu, 1980). Confucian teaching is believed to have a positive impact on maintaining harmonious interpersonal relations in organizations. Employees learn to be obedient to their superiors and loyal to their organizations. In return, employers are expected to be paternalistic toward their employees.

Another positive influence of Confucianism on Korean society has been the emphasis on education. In Confucianism education is seen as an instrument for the betterment of a person and subsequently a society. The Confucians believe that the capacity for goodness and harmony in the individual must be cultivated. Such qualities cannot be learned by imposing regulations upon the individual, but rather stem from the individual's training himself. This belief provides a powerful impetus for the educational process. The importance of education has been manifested in the social strata of Korean culture. During the Yi Dynasty, there were distinct social classes, which placed scholars at the top, followed by farmers, engineers, and merchants. To become a higher government officer, one had to pass the state qualifying examination (*kwago*), which was an instrument for vertical mobility in the society. Even now, students at all levels must spend incomparably greater amounts of time than their counterparts in Western society to pass college and university entrance examinations for better jobs and upward mobility. Additionally, state qualifying examinations are required of those who aspire to be higher government officials. In general, Koreans have a high commitment to the development of human capital, particularly for the education of the younger generation. The habits acquired in this educational process tend to spill over to the development of the work ethic among the adult population.

The main limitation of Confucianism is that its consciousness and moral codes are limited to the framework of one's family, rather than applying to the nation or people as a whole. This has resulted in social inequities, making people evaluate a person not as an independent person, but as a subordinate existence, belonging to a higher structure. In other words, Confucian ethics are not applied universally to others, but govern human relations according to the closeness or the status of the people involved. In those relationships, common school background, hometown, family clan, and so on, are considered very important in defining human relations. As a consequence, reasonable and businesslike attitudes have given way to emotionalism and sentimental considerations in dealing with others (Yun, 1971).

Such attitudes of the Korean people have grown into irrational and subjective modes of behavior and thinking over a long period of time, centering mainly on an individual or a family, at best. At workplaces, interpersonal relations rather than task-related relations are considered most important, and one's manners are also different according to the status of the person with whom one is dealing. While the rationalism of Western society emphasizes fair and objective interpersonal relationships, the Korean people in general regard emotional and subjective values very highly. The effect of these attitudes appears in their intimate and lavish hospitality to acquaintances in contrast to their hostile and blunt responses to others whom they do not know.

Korean managerial practices are indeed influenced by such traditional cultural norms, as we can see from the following: (1) Nepotism has been very common in business administration. Companies are often run by the owner's family members, without making a distinction between ownership and professional business management; (2) management is not task oriented but relationship oriented; (3) vertical relationships are more emphasized than horizontal human relations; (4) emotional and authoritarian attitudes of management are dominant rather than democratic and rational ways of behavior.

## TRADITIONAL MANAGERIAL VIEWS

What follows from the traditional value systems is a set of managerial assumptions and practices. Table 15.1 summarizes the five commonly believed cultural norms and managerial practices among Korean firms (Shin, 1984).

### Unequal Heirship in Company Succession

Family succession in Korea means that the leadership of the household is handed down to the eldest son. When the male head of the family dies, his first son gets the lion's share of the family fortune, and the rest receive what is left. Managerial succession takes place in a similar fashion. The first son usually takes over the family business when his father is no longer able to perform the leadership function. This is different from the system in China, where sons inherit equally among

**Table 15.1**
**Managerial Practices and Traditional Culture**

|  | Managerial Practices | Traditional Culture |
|---|---|---|
| Organizational climate | 1. Company succession (owner-manager)<br>2. Power structure<br>3. Personnel policy | Heirship in favor of eldest son<br>Exclusionism<br>Seniority system |
| Behavioral variables | 4. Leadership of superiors (seniors)<br>5. Behavioral patterns of employees | Authority and harmony (paternalism)<br>Obedience and sense of belongingness |

themselves, or in Japan, where a single heir is selected to receive all the properties. In the Korean family system, the eldest son is at the core of family tradition. It is presumed that the eldest son of the founding entrepreneur naturally follows his father in taking the reins of the company (Lee, 1977).

### Exclusionism and Commonality

The Korean family system based on blood relations has a strong impact on formulating the decision-making structure within a company. Because the family plays a dominant role in Korean society, nonfamily members are often excluded from participating in decision-making processes in an organization. Exclusionism is manifested in the Korean tradition of ancestor worship, the child adoption system, and the sharing of strong family-group feelings. Almost every family in Korea pays due homage only to its own family ancestors. In the ancestor-worship rituals (*Jesa*), even the direct relatives of the family are distinguished by their distance from the family head. Discrimination also exists between people with names at the top of the family tree (with higher *Hangyol*) and those with lower Hangyol, giving priority to people at upper levels of the orders. These habits have led people to develop a strong inclination to treat others based on the distance from oneself in various human contacts in the society (Choi, 1968).

Exclusionism is reinforced by a strong sense of commonality among people. Commonality may come from family name, hometown, or school attended. The social stratum to which a family belongs is also an important category by which people feel a common identity. People from the same social group gather together, sharing profound feelings of belonging, while rejecting other members of society as total outsiders (Choi, 1974). When this traditional exclusionism is applied to modern enterprises, a closed decision-making group with the owner at its center is formed, with his close family members and relatives and others in special relationships surrounding him.

### The Seniority System and Personnel Management

Korean culture and tradition have always respected seniority in various human relations. In being served food and distributed goods, elders are usually given priority. In family life, age is the most important standard for determining roles, without regard for individual ability or the equality principle. A strict order exists that requires each family member to play a specific role; a father is expected to behave like a father, and a son to behave like a son. It is commonly assumed that in modern business firms this seniority system strongly influences decision making for the promotion or selection of executives.

### Leadership Authority and Harmony

Leadership in the traditional Korean family is two dimensional: despotic authority and democratic harmony. The family head controls his family members with firm authority, while those under his rule are required to obey for the peace and solidarity of the family. The authority of a family head is strongly reinforced when the head is a father. The combined status of a family head symbolizes an exclusive, sole, and unilateral representation of all the family members. However, this does not mean a family head rules the family with his one-sided authority. On the contrary, his role of maintaining harmony among people by dissolving conflict is even more important and necessary. To strengthen the sense of belonging and willingness to obey on the part of family members, warmth and concern expressed by the leader are essential. In a like manner, the head of a company wields an unequivocal power, but he is expected to exercise his power with the utmost care and concern for his employees.

### Obedience and Loyalty

In traditional Korean family and social life, juniors are expected to obey their seniors unconditionally. These norms have influenced the behavioral patterns of company employees of today. Filial piety lies at the bottom of the father-son relationship in Korea. Filial piety implies that the son obeys the father's authority, respects the father, and feels grateful for the father's love. Filial piety is not necessarily limited only to father-son relationships. It can be seen in loyalty to the nation, obedience to seniors in organizations, harmony among friends, generosity toward juniors, and care for people by the ruler. In an organization, these values are expressed in the form of obedience to superiors, loyalty to the company, a strong sense of belongingness, and paternalistic attitudes toward employees.

## EMERGING MANAGERIAL PRACTICES

The traditional value systems undoubtedly have influenced the managerial practices of Korean managers. Managerial practices are, however, not static concepts; they change as the society changes. As Korean society changes from an agrarian

society to a more industrialized one, so do managerial views and practices. Let us look at the emerging trends in managerial assumptions and practices.

## Views on Managerial Succession

According to a survey by the Korean Chamber of Commerce and Industry of 486 company chairmen and presidents, 61 percent of the respondents said they would select men from among company officials to succeed them while 25.5 percent said they would choose their children or relatives. On the other hand, 3.1 percent planned to select a friend or a hometown friend, 1.9 percent wanted to have a business colleague, and 0.8 percent said they would choose a man from a related government agency (KCCI, 1984). Jung Nyun Kim (1984) conducted a similar survey on 107 enterprises in Korea. The survey showed that 30.8 percent of company presidents were founders themselves while 11.2 percent were sons of founders, 20.9 percent were presidents selected within the company, and 29.0 percent came from outside. These two studies indicate that not as many founding owners hand their companies down to their sons as is commonly believed.

## Power Structure within the Company

It is commonly known that Korean enterprises are structured with the founder in the center, surrounded tightly by a handful of high-ranking managers and staff who, in most cases, are either close relatives of the owner, his fellow alumni, or hometown friends. This is not necessarily true in reality. As shown in Table 15.2, 42 percent of chief executives of Korean firms are either the founder-owners or their sons, while 58 percent of them are professional managers recruited from within or outside the firm (Kim, 1984). In addition, only 15 percent of the firms surveyed have decision-making authority exercised solely by the president, while 47.7 percent take company officials' opinions into account, and 37.3 percent reach final decisions mainly by the opinions of the managers. Similarly, the study conducted by the Korean Chamber of Commerce and Industry (KCCI, 1984) reported that only 22.4 percent of decisions are made by top management, while 60.9 percent utilize key staffs, 8.0 percent depend on various reference information and data, and 3.9 percent on advice and recommendations by advisors and consultants. As the business environment becomes increasingly complicated and diversified, an increasing number of Korean companies are now managed by professional managers, who enjoy growing importance.

## Personnel Policy and the Seniority System

The seniority system in Korean firms is believed to be based on the family structure, in which the status and power of family members are defined by age and family relations, without regard to their ability or qualifications. According to a study by Ki Chul Song (1984), 84 percent of employers respected capability

**Table 15.2**
**Structure of Decision Making**

| | Item | Percentage |
|---|---|---|
| President's background | Founder | 30.8 |
| | Son of founder | 11.2 |
| | Company officials | 29.0 |
| | From outside | 29.0 |
| Patterns of decision making | President centered | 15.0 |
| | Managers' view considered | 47.7 |
| | Managers centered | 37.3 |

**Source:** Jung Nyun Kim, "Growth of Enterprise and Management Capability," Monthly Chosun (February 1984): 118.

and performance of employees in personnel policy, while 29 percent claimed seniority was the most important factor, in contrast to 36 percent who were against the seniority system. This finding suggests that the preference for seniority as the basis for promotion is becoming relatively less important. Similarly, the study by the Korean Chamber of Commerce and Industry (KCCI, 1984) suggests that the personnel policies of today's Korean companies adopt a mixed system of both seniority and capability. A considerable number of companies employ both systems by combining them at 50-50 or 60-40 ratios. In other words, we do not have a 100 percent seniority system or a 100 percent merit system.

### Leadership, Authority, and Harmony

In general, leadership patterns can be classified into four groups: despotic, democratic, laissez-faire, and in-between. What type of leadership do Korean businessmen have? According to the Chamber of Commerce study (KCCI, 1984), few company bosses were found to be completely authoritarian or completely on an equal footing with employees. A majority of 86.6 percent understood industrial relations as mutually cooperative partnership relations, under harmony-based leadership; that is, democratic leadership. This study shows that Korean managers value staff meetings and labor management council meetings for open communication between employees and management. In addition, they value and utilize both formal and informal communication channels. The fact that both formal and informal communication channels are considered by Korean managers to be more effective and desirable than unilateral top-down instructions indicates that authoritarian leadership is not the most effective means for employee motivation and control.

## Behavioral Patterns of Employees

It is generally believed that Korean workers are obedient to their bosses and loyal to their organizations. A comparative study conducted by Kae H. Chung and Hak Chong Lee, however, refutes such a belief (see Chapter 12). Their study found that turnover among Korean workers is as high as that among their American counterparts and higher than that of the Japanese. A study by Luthans, McCall, and Dodd (1985) reported a similar finding. According to their study, the level of commitment of Korean workers to their organizations is not higher than that of American workers. For example, it is common for today's Korean workers to quit their jobs when they are offered higher wages by a competing company, regardless of the type of job they are performing. In addition, a worker often leaves his company if a colleague whom he considers less qualified than himself is promoted.

If such cultural imperatives as loyalty and commitment do not determine Korean worker's attitudes toward their organizations, what factors should be considered in understanding their behaviors? The study conducted by KCCI (1984) sheds light on this question. It reported that older employees over sixty said wages were the most important incentive for employees, while younger businessmen under thirty thought ''environment for voluntary participation'' was the most effective means to motivate employees to work harder for higher productivity. Meanwhile, employers of large companies cited ''environment for voluntary participation'' as the most effective incentive, while presidents of small firms said the management-by-objectives system was the best way to enhance the working spirit of the workers. These findings are similar to what American workers want from their jobs.

## DISCUSSION

To summarize, one can make the following generalization about the managerial assumptions and practices of today's Korean managers. The Confucian values rooted in the strict family-centered system of the past have influenced the managerial behavior of Korean managers, but they are not necessarily the dominant factor in today's Korean managerial practices. Korean managerial practices have changed along with the rapid process of urbanization and industrialization. It is not to suggest, however, that Korean managers have abandoned their traditional value systems. Instead, what is suggested here is that Korean managers are adopting new behavioral patterns that are workable in an industrial society without violating the cultural norms of Korean society. The balancing act is important because ignoring one in favor of another can cause instability and confusion on one hand, and organizational inefficiency on the other. The following observation illustrates this point.

During the four consecutive Five-Year Economic Development Plans (1962–82), many new firms and new plans were established. Many of these firms have blindly

adopted Western management styles without due consideration of the Korean cultural impact on business operations in Korea. Foreign investors, particularly, have not fully understood the cultural impact. For example, foreign firms that attempt to do business in Korea, or Korean companies that attempt to do business in a foreign country, by insisting on their own managerial practices or by treating people as they would at home, found themselves constantly embroiled in disputes with their Korean workers or workers abroad. It is, therefore, suggested that foreign investors who are from quite different cultures need to have some understanding and sympathetic recognition that profound differences exist. More specifically, a foreign firm that attempts to manage its employees on the basis of economic efficiency and monetary incentives alone without due consideration of the unique Korean culture will encounter resistance from them.

Korean managerial practices are changing, but one has to be aware of the prevailing traditional values that still have some major impact on the behavior of Korean managers. First, it is still very difficult in Korea to promote someone of exceptional ability and qualifications who does not have senior status either because of age or past achievements or through long service in the firm. The importance of age and seniority comes from the traditional Korean value of deference to elders. In Korean society, elders must always be honored and respected regardless of sex, education, status, and competence. It is very common for younger superiors to have difficulties in controlling or managing older subordinates in Korean firms.

Second, the relationship of individuals to a group, particularly to a company, is quite different from that in Western countries. The employee takes long-term security in the firm for granted when he gets hired and as a result, paternalistic authority has become dominant. This is another reason why age and senior status are so important in Korean firms. Elders can exercise this paternalistic authority effectively and set up proper hierarchical relationships with members of an office staff or a workforce in a harmonious atmosphere. The Western entrepreneur who sets up a firm and staffs it with Koreans hired and assigned to jobs solely on the basis of their technical qualifications regardless of age and seniority will often find himself spending a great deal of time and energy intervening in petty disputes among workers. Or if he insists on purely contractual relationships between his firm and the employee, slight grievances that could easily have been placated by a small dose of paternalistic intervention often grow into major issues involving many or all of the employees.

Third, another difference between Korean managers and Western managers lies in the priority of values and facts. Western managers tend to view everything more in quantifiable fact terms and less in nonquantifiable value terms. It is true that Western managers tend to be more dependent on facts than values for decision making. The Western way of looking at things is dictated largely by a purely factual approach, which eliminates most value judgment. Of course, the relative importance of facts to values in management decision making will naturally vary with each particular business situation. However, it is important to note that in Korea, top managers often make decisions because they value certain ways of

action in spite of the price they must pay. As a result, in Korean business operations value judgments will usually have priority over purely factual considerations in making important business decisions.

## SUMMARY AND CONCLUSION

Korean managers are at a crossroads in formulating their own managerial practices. They are at a point where they can no longer adhere to the traditional value systems nor copy the managerial practices of Western culture. The time has come to search for a unique pattern of Korean management. The new pattern is likely to be based on a combination of traditional Confucian values and Westernized thoughts. It can be said that the new form of Korean management will converge on the sociocultural characteristics of successful industrial nations like the United States, Japan, and others. Convergence of culture may not necessarily mean progress or advancement. However, it is desirable that people be equipped with the willingness and ability to accept and adapt to the changing sociocultural environment. When we consider the fact that Korean conglomerates are emerging into the internationalized era, it seems inevitable for them to adopt the managerial practices of advanced nations while maintaining the strengths of their own cultural heritage.

## REFERENCES

Choi, Jai Suk. "Traditional Values of Korean Family." *Korean Research* (June 1964): 18.
———. "Family System and Social Integration." *Journal of Korean Social Science* (Spring 1968): 12–13.
Choi, Jong Tai. *Interaction System Among Employees at Korean Enterprises*. Seoul: Korean Business Administration Society, 1974.
Hu-Hsiang, Fung. *A New Concept of Peace from the Confucian Viewpoint*. Taiwan: Tunghai University, 1982.
Kim, Jung Nyun. "Growth of Enterprise and Management Capacity." *Monthly Chosun* (February 1984): 117–18.
Korean Chamber of Commerce and Industry (KCCI). *Survey Report on the Thinking Patterns of Top Management in Korean Companies*. Seoul: KCCI, 1984.
Lee, Kwang Gyu. "Problems in the Study of Korean Family System." *Journal of Korean Studies* (1977): 18–118.
Luthans, F., H. S. McCaul, and N. G. Dodd. "Organizational Commitment: A Comparison of American, Japanese, and Korean Employees." *Academy of Management Journal* 28, no. 1 (1985): 213–19.
Ryu, Sung Guk. *Confucianism in Korea*. Seoul: King Sejong Foundation, 1980.
Shin, Yu Kun. *Characteristics and Problems of Korean Enterprise*. Seoul: Seoul National University Press, 1984.
Song, Ki Chul. "An Empirical Study on Management Ideology in Korea." *Business Management Journal*, no. 19 (1974): 20.
Yun, Tai Rim. *Korean People: Their Way of Thinking*. Seoul: Hyunamsa, 1971.