



## A Study on Business Ethics in Korea

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## — A Study on Business Ethics in Korea —

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### (1) Concepts of ethics

The word, ethics, as it is used today, comes from the Greek root, "ethos", and in its original form referred to habitual practices and customs.<sup>1)</sup>

Ethics is defined as the study of conduct between individuals—what are the standards governing their interrelationships?

The additional concept is that the word clearly indicates a desirable standard of performance as demonstrated by the existence and use of the word unethical, which denotes behavior that does not meet desired standards.

The problem of ethics is concerned with the behavior of individuals; therefore, such terms as "business ethics," "corporate ethics," and "corporate morality" become vague and meaningless.

When a philosopher uses the term "Ethics" he is no doubt referring to a theoretical study rather than a layman's dictionary definition of the word.

Plato tells us that these values can be discovered by the educated mind. Naturally

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1) R. C. Baumhart, "How Ethical Are Businessmen?" *Harvard Business Review*, Vol. 39 (July-August, 1961) pp. 6~12, 175.

it is an upper-class-educated-mind which gives us this advice. These values are presumably in existence somewhere, sitting around waiting for an upper-class educated-mind discover them, and incidentally to enforce them on others<sup>2)</sup>

Aristotle, the son of a doctor and as much a researcher and a scientist as a philosopher, is willing to analyze what he sees about him and arrive at a conclusion; namely, that happiness is generally considered desirable and therefore moral, and that it is best achieved by temperance in all things.

Epicurus, operating with a different terminology, arrives at the term pleasure instead of happiness and prudence rather than temperance. Epictetus tells us to retreat from the wholeness. Think happy and you are happy. Think good and you are good. Think evil and you are evil.

## (2) Business and Ethics

Furthermore, a person's impression of the state of "business ethics" is actually his judgment of the behavior of individuals employed in the business community.<sup>3)</sup>

Specifically, is the Golden Transit Company behaving in an unethical fashion, or is it the behavior of its managers that is subject to criticism? A business firm may have policies that govern to some extent the conduct of its executives, but the firm itself is a legal entity, not an individual. Thus, a firm is incapable of those personal interrelationships that characterize individuals.

There are two approaches to the determination of ethical standards for businessmen. First, there are writings that record examples of behavior in order to classify and synthesize these observations into a meaningful arrangement. This method is best described as a series of philosophical essays. Secondly, there is at least one extensive empirical study that analyzes current ethical practices in American business.

The typical conflict of interest situation that arises most frequently originates when an official employed by one company has interests in a second company that either supplies or purchases from the employing firm.

Ethical problems recognized primarily as matters of interpersonal relationships are closely related to company objectives since the interpersonal contacts of an executive

2) Katherine Wetherell "Does the Study of Ethics Make One Moral?"

3) Sisk, Henry L., *Principles of Management-A Systems Approach to the Management Process*, pp. 58~59

arise to a large extent as the result of actions intended to assist the company in meeting its objectives.

One writer, Mr. Charles Kendrick, who is Chairman of the board of directors of Schlage Lock Company, has defined the problems of business ethics entirely within a framework of interpersonal relationships, and offers the following areas requiring ethical judgments on the part of the businessman: (1) ethical relations with customers, (2) with the company, (3) between companies, (4) with employees, and (5) with shareholders. Mr. Kendrick limits the fourth area of ethical judgments. In addition, there are relationships between a subordinate and his superior that call for ethical judgment on the part of the subordinate, therefore, a sixth relationship-ethical relationships between subordinate and superior-is added to make the analysis logically complete.<sup>4)</sup>

Awareness of social and ethical responsibilities as related to business is illustrated by the overwhelming number of executives, 99 out of every 100, who indicate complete agreement with the following statement: "Sound ethics is good business in the long run."

When the statment "Sound ethics is good business in the long run," is paraphrased so that it becomes "Whatever is good business is good ethics,"

Finally, the ethical standards of any industry are determined by the ethical standards of individual executives of each member company in that industry.

Though the ethical standards of a group are dependent upon the standards of each individual member of the group. The establishment of a code of ethics may serve a useful purpose. The chief value obtained from the establishment of a code is that it offers a framework within which individual members of the group may work.

But there have been many criticisms of codes of ethics. Chief among these criticisms is that, for the most part, such codes are established voluntarily and are difficult to enforce. Usually the penalty for violating a code is expulsion from a group, which has the effect of leaving the violator free from further criticism. Codes are also criticized as being at best an expression of good intentions and not an accurate statement of conditions as they actually exist.

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4) H. B. Maynard, (ed.), *Top Management Handbook* (New York: Mc Graw-Hill Book Company 1960) pp. 1145~1153

### (3) Code of Ethics in Korea

The Korean people being no longer a "hermit nation," the ethics courses offered in the universities of Korea at present deal mainly with Western ethics.

A half-century ago, however, the scope of ethical thoughts of most Korean people did not go beyond the boundary of the Oriental. It would not be without significance at this point to review the steps trodden by our people in the long prewestern tradition.

Historically, the Chinese were superior to us in their culture, and the Japanese inferior the Korean forefathers, living between China and Japan, imported from China her ethics together with other phases of Continental culture, turned it into their own, and then transmitted to Japan. Thus, China, Korea, and Japan belong to the same Oriental cultural and moral sphere. This fact does not necessarily mean that Korea has never had a culture and morals of her own.

Surrounded by various alien nations of Northeast Asia, the Korean people have experienced many attempts by foreigners to destroy their culture or to conquer their fatherland. But the people have maintained the sovereignty of an independent nation, accepting or rejecting such alien cultural or military invasions.

The righteous and ethical national trait of Korean ancestors has made considerable contributions to their independent history. From such a viewpoint also it would be of some significance to review the origin and progress of Korean ethics.

The Korean ancient ethics seems to share, in some respects, the similar view found in the ancient Western common law-jus gentium. The Eight Taboos of Ancient Korea are presently known only in part as follows: <sup>5)</sup>

- (1) One who commits a murder shall immediately be put to death.
- (2) One who inflicts physical injury upon others shall compensate with grains (agricultural products).
- (3) The male or female who commits larceny shall be made a slave of the sufferer.
- (4) Adultery forbidden.

During the Kingdom period the two alien ethical views of Buddhism and Confucianism influenced the lives of the Korean people.

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5) *UNESCO KOREAN SURVEY*, Seoul Dong-A Pub. Co., 1960, pp. 181~184

The Buddhist ethics began to spread among the people (when) in A.D. 334.

On the other hand, the date of introduction of Confucian ethics to the three Kingdoms cannot be ascertained, certain as it is that it can be traced back to the time prior to the kingdom period when Chinese scriptures began to reach Korea.

The popularity of the Confucian ethics among the Korean people during the Kingdom period is evident from various historical events.

Aside from Buddhism and Confucianism, Taoism was another factor which influenced the ethical life of the three Kingdom period.

While the West was forming national morals based on central governments with the birth of capitalistic modern states in resistance against feudalism, it was after the unification of the three Kingdom that the Korean people began to realize and put into practice certain national morals. About this time the Korean people became firmly conscious of national unity, and this led to national morals on a solid basis.

Since the unification of the three Kingdoms, the system of government, judicial procedures, manners and customs as well as the mode of life became unified into a homogeneity, forming sovereign, recognizably uniform national morals, as distinguished from simple feelings of the same race in the past, for until that time Korea had been divided in the three powerful Kingdoms following ancient Korea.

Korean national morals reflected tolerance in constantly accepting and digesting alien ethics contained in Buddhism, Confucianism and Taoism within the framework their traditional morals of the greatest welfare to all. And so we can reasonably assume that such an inclination to embrace alien ethics will continue in their inevitable contacts with current Western ethics of Liberalism.

The national morals of the Korean people are frequently referred to as "hwa-rangism", just as the Romans' national morals are often called the Roman spirit, the Englishman's John Bull spirit, the American's 'Yankeeism' etc.

The fundamental idea of hwa-rangism is based on the traditional Korean moral idea, "the greatest welfare for all", which is combined with the ethics of Confucianism, Buddhism and Taoism.

Some aspects of hwa-rangism may be seen in the five commandments were:<sup>6)</sup>

1. In serving the King, one has to be loyal.
2. In serving parents, one has to be faithful.

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6) *Ibid.*, pp. 183~184

3. In associating with friends, one has to be trusting.
4. In combat, one has to be brave, and
5. In killing creatures, one has to exercise discretion so as not to kill creatures in hasty carelessness.

The following three kinds of good deeds were;

1. The man of higher social position, being humble, occupies a position lower than others.
2. The man of wealth dresses simply and modestly,
3. The man of noble birth with high prestige refrains from exhibiting his birthrights.

The essence of Buddhist ethics lies in the eight righteous ways. They were to overcome sufferings and transcend the two extremes of physical enjoyment and ascertainment, they taught righteousness in views, thoughts, words, deeds, life, efforts, ideas and meditation.

Finally to be mentioned is the fact that a community rules system boldly attempted to realize a political ideal based on the moral philosophy of Confucianism only to bring about the tragic end.

#### **Ethics in modern Korea (Joseon)**

The most outstanding moral philosopher of modern Joseon is Yi Hwang, who not only brought Chu Hsi's School of neo Confucianism into perfection but also furnished the basis of Confucianism among the Japanese Scholars through his writings, which were also edited in Japan.

The development of Confucianism, indeed, reached its Zenith during modern Joseon through Yi Hwang and Yi I, both of whose profound knowledge was unsurpassed even by Scholars of China.<sup>7)</sup>

Presenting the dualism of reason and sensation in his philosophy, Yi Hwang emphasized the necessity for reason to exercise control over sensation, the former being superior to the latter (as in the case of Kant who advanced the primacy of pure practical reason). One aspect of the originality in his moral philosophy may be found especially in the Study of Mind in his Ten Sketches of Neo-Confucianism

#### **Ethical Study in Korea Today**

The departments of philosophy of various colleges and universities have such lectures

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7) *Ibid*, p.184

on ethics as; introduction to ethics, history of ethical thought, social ethics, Christian ethics, existential ethics and other contemporary ethical theories.

Members of Korean philosophical Association and of philosophical associations within universities and colleges hold meetings for representation of their studies on ethical science and ethical problems. So far there have been a number of essays published through various channels.

#### (4) Effect of Confucian Familism

The Chinese, and the Koreans as well, had for centuries followed a philosophy and code of ethics which had been so general in their diffusion as to constitute the mores of the people<sup>8)</sup> Confucianism.

Based primarily upon the writings of the great sage Confucius (Kung Fu-tzu, 551—479 B.C.), there had been constructed a complete philosophy of civilization which may be termed Confucianism, though it was somewhat modified by the glosses of the followers of Confucius and by rival schools of thought. The Confucian dogma was incorporated in a series called the Classics, knowledge of which became the highest standard of intellectual attainment and of proficiency in government. Apt quotation of them would win an argument or determine a course of action. In fact, their principles governed all human relationships and conduct in the Sino-Korean Area. "Confucianism" is used to express structure of the Chinese, not just the writings of Confucius. Confucianism first became a state cult in the Former Han dynasty (202 B.C. —A.D. 25). Its influence, however, diminished in the disunion which followed the downfall of that dynasty. After the rise of the T'ang dynasty (A.D. 620) the Confucian theory again came in to prominence and in the Sung period, especially after the eleventh century, it attained a permanent position as the arbiter of the mores of the people<sup>9)</sup>

For any complete understanding of political action in the Far East it is necessary, therefore, to devote some attention to the background of Confucian thought. It is only against this background that the social conduct, the actions of government, relationships among the countries of the Far East, and the conflicts of the Far East

8) Nelson, M. Frederick, *KOREA and the Orders in Eastern Asia*, pp. 3~20.

9) J.K. Shryock, *the Origin and Development of the State Cult of Confucius*, New York, 1932



with the Western states can be properly understood.

According to the Confucian theory, the world is a single unit, natural in organization, with a set of hierarchical relationships ascending from the lowest man up to Heaven itself.

A definite relationship existed between all material things and that, in every situation, proper conduct depended upon the status of the actors.

In the structure of society five fundamental relationships were postulated.

The first relation, male and female or husband and wife, evolved from the original existence of Heaven and earth,

The second relation, derived from the first, is that of father and son,

The third is that of elder brother and younger brother.

The fourth and fifth are those of friend and friend, and of sovereign and minister (or subject). These relationships are held to be as permanent as the universe. Peace and order exist automatically when the husband is truly a husband, the wife truly a wife, the sovereign, and so on.

By appropriately conforming to relationships which man finds in his social existence, one would follow Heaven's will and would receive Heaven's blessings.

The doctrine of control through example, of conquering through virtue, throws the problem of the control of society back upon the individual. If the empire is in disorder the emperor is at fault, he has presumably failed to cultivate virtue within himself.

If a family is disrupted, the parent is lacking in sufficient virtue and knowledge of the rules of proper conduct. Therefore, the man who would govern (i.e., enforce the rules of proper conduct) must first rectify himself with Heaven's way. An often quoted passage of Confucius illustrates this expanding nature of individual virtue.

Followed as a guide for the preservation of the order decreed by Heaven in all affairs-personal, familial, national, and international-these principles of Confucianism constituted the source book for scholars and officials. Since governmental employment depended on scholarship, which in turn was determined by a knowledge of Confucian principles, it was inescapable that Confucianism practically guided governmental administration.

With its natural world order, its idea of government by indoctrination and example rather than by law and compulsion, and with its definite formula prescribing relati-

ons with peoples beyond Middle Kingdom, Confucian theory should be viewed as the ideological background for the early history of the Korean peninsula.

It has influenced moral standards of Korean businessmen and will bring about their effects to business ethics. Favoritism such as nepotism is an example of Confucian familism in business circles. But to some extent this is my personal point of view.

Recently the Korean businessmen are likely to feel social responsibility and more reasonable management responsibility or philosophy about their business policies.

In addition to this, I would like to point out the movement toward rationalization of business administration. However, the small size of business-both physical and financial-oftentimes hinders the new-era directing of management.

### **(5) Various ideas about the ethics of business enterprise**

During the twentieth century, the problem has become more widespread and more intense. American society has changed from a series of small shop, agricultural groups strung out along the Atlantic seaboard to a continental, highly industrialized superpower. "The business of America is business" opened President Coolidge less than forty years ago. Since that time, the fact that Americans live in a business civilization is obvious.

Peter F. Drucker put the point succinctly (but somewhat differently) in the March-April 1962 issue of the Harvard Business Review:

In the pursuit of its everyday "private business," and in performing its economic job, big business is therefore expected to further human values, and to serve national purpose. This-rather than matters of ordinary honesty or fastidiousness-is at the core of big-business ethics.

In other words, the ethical question of business enterprise is not so much that of the personal peccadilloes of a few errant businessmen. It is the larger matter of the relationships that the dominating corporations have with other segments of the nation. Or, as stated in Bowen's *Social Responsibilities of the Businessman*, "the heart of the problem is the tension between self-interest and social obligation."<sup>10)</sup>

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10) Thorsten Sellen and Richard D. Lambert, *"The Annals of the American Academy of Political Science", "The Ethics of Business Enterprise."*

Economists have found that, in industries where there is interdependence among firms or where there is freedom of action within the loose confines of the market, the profit-maximization assumption is a rather poor analytical device.

Game theory, however, makes available insights in addition to the propositions that co-operation among players and a philosophy of mutual restraint may change economic rivalry from dog-eat-dog to a policy of live-and-let-live. These additional insights are derived from game experiments in bargaining carried out by a number of investigators.

It is clear, also, that many of the non-monetary inducements to secure customers, employees, dealers, and suppliers in the coalition of large business enterprise reflect social norms of America concerning business practice.

The norms and roles of big business include a conglomeration of profits, efficiency, democratic human relations, freedom, and justice. Big business is not cast in the simple molds of profit maximization or of pursuit of public welfare.

The consequences are that the decision-making manager is isolated from general theories about social values. Social responsibility is defined in terms of conformity to the mores of the society in which the businessman-manager is operating. The foregoing can be illustrated by reference to three problems: social responsibility, the destructive reduction of ethics to psychology, and the conflict between the ego and the ethics of professionalism.<sup>11)</sup>

The field of ethics encompass much more than common usage of the term indicates. Starting with the "lowest" level and proceeding upward, the philosopher distinguishes morals, ethics, and meta-ethics, separate but interrelated levels of inquiry. Morals are particular moral codes, sets of rules for behavior in a given culture.

Four major currents of thought muddy public discussion. Some maintain that "business is business." Profits per se measure social performance. Others rely heavily on classical competitive equilibrium processes or other versions of the "invisible hand." A third group-rigorously mathematical exponents of the new welfare economics-are pessimistic about even the possibility of finding a useful social welfare function.

The famous English economist Pigou in his *Economics of Welfare* expounded the interrelations of the value of the marginal private-trade net product and the value of the marginal social net product and pointed out numerous business activities in which

11) Samuel E. Gluck, *"Philosophies of Management" in Philosophical Perspective*, p.20

they diverged.

All economists prefer an automatic, self-correcting feedback-and-response equilibrium to a system requiring special manipulative controls.

The ethical obligation of the corporate employers of consequence—those whose activities affect interstate commerce, thus subjecting them to federal law—is equated with their legal obligation. The legal obligation is (1) to recognize the rights of their employees to organize and to bargain collectively, (2) to honor the collective agreement produced by such bargaining.

The separation of politics and economics is a cardinal tenet of liberalism. Political realists have always recognized that the separation could never be more than a matter of degree. Economic decisions have political consequences and vice versa.

But there is no intrinsic difference between business ethics and ethics in general. The moral standards that should govern man's behavior ought to apply to his actions in business. There are ethical conflicts, however, that men face in business which are not so often posed in other human activities. These derive in part from the profit motive and in part from conflicting responsibilities to different social and economic groups.

Business and Religion—If, then, the businessman's responsibility for contributing to human satisfactions is closely akin to what religion calls charity, and if the flavor of human relations may be improved by a dash of the Christian virtue of humility, there may be other places where business and religion could both benefit if they knew each other a little better.<sup>12)</sup>

Religion is much broader in scope than an economic or political or social-structure, and religious goals are broader than economic.

The objectives of religion might be summarized as the greatest possible human welfare, as the fullest development of men, in all possible ways—physical, mental, and spiritual, economic and noneconomic—in accordance with the will of God.

## (6) Conclusion:

This article has sketched out with extreme brevity the wide areas which have been left untouched by the businessman in his search for moral standards in his role as a

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12) Business and Religion, by Edward C. Bursk, —*A New Depth Dimension in Management*—

businessman.

I contend that the businessman has not begun to understand the complexity of the problem which faces him and, until he does, can make no certain progress in his quest. He must understand first that moral action is always restrained and conditioned by the environment in which the individual acts.

The psychological burden of social power and responsibility is, I am sure, the force which compels the businessman to go beyond this role and seek to legitimize through good works the power he exerts. He needs to understand that it is society's job to ensure social justice, not his.

This essay has argued that the businessman with moral concerns should not attempt to bridge the gap by refusing to fulfill his commitment as businessman. To commit himself to be a businessman is to agree to follow rules which may conflict with one's social sense. If an individual cannot accept the commitment to act as a businessman, he should seek a more congenial career.

When the businessman learns to give up the personal quest for standards of moral action in his role as businessman and permit society its proper role in this area, he may then be faced to go about the task which justifies his control of society's resources-the creation of wealth.

In his role as citizen, the morally responsible individual should direct himself to the improvement of the general climate of social life.

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