

Strategic Use of Ethical Management System in Logistics Companies

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01

Theoretical Background

- Ethical Management
- Ethical Management
System

Ethical Management

Summary

윤리경영(倫理經營, Ethical Management)

Management spirit that considers 'corporate ethics' as the top priority in company management and business activities and pursues transparent, fair and reasonable performance

Importance of Ethical Management

-Improves Corporate Image (**Federation of Korean Industries, 2003**)

- Improves corporate favorability and preference
(**Korea Chamber of Commerce and Industry, 2005**)

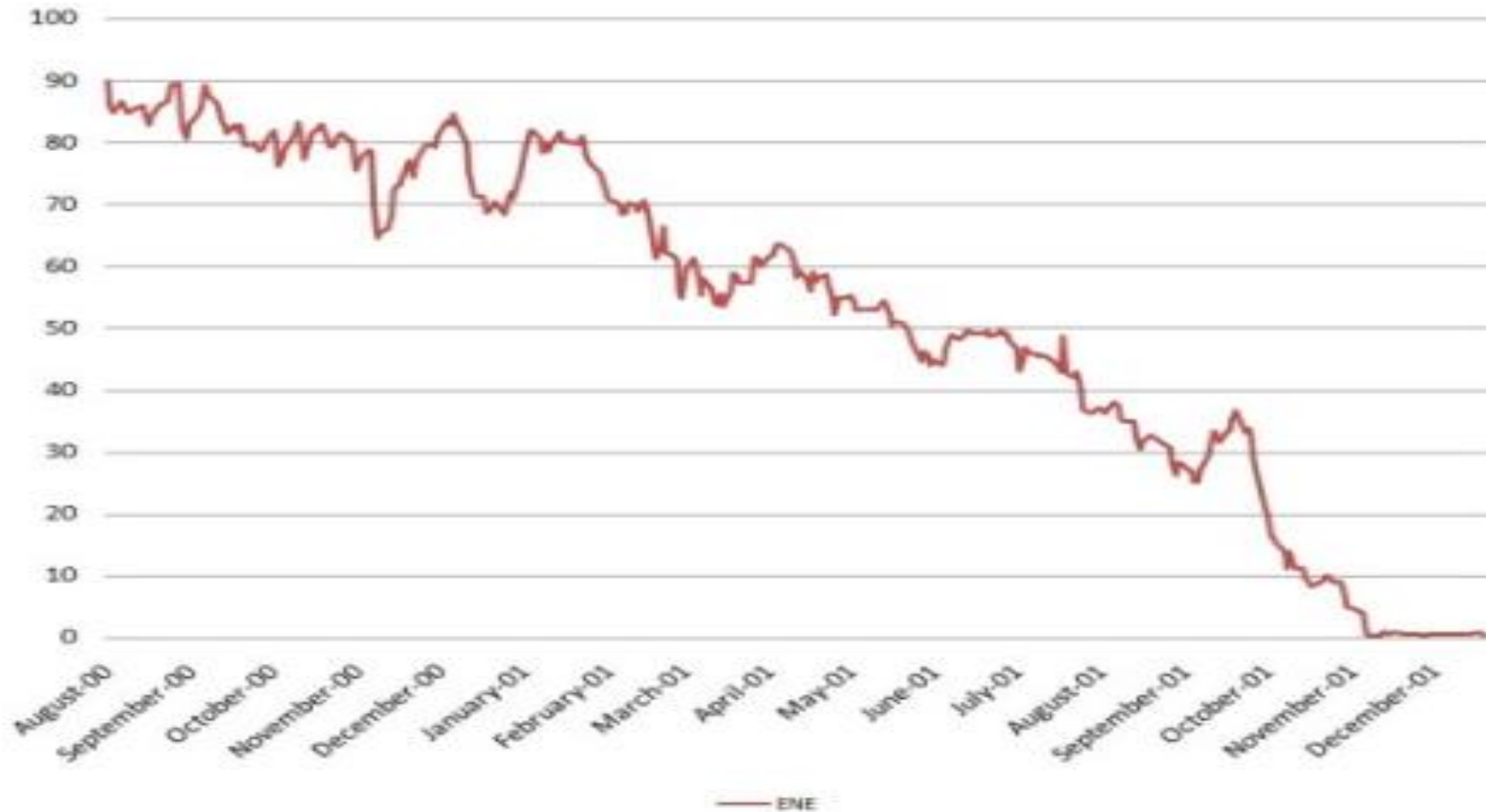
- Obtains continuous reliability from the market (**Park, J.R., 2004**)

- Important yardstick of international standards for assessing international competitiveness (**Carroll, B. and Buchholtz, K., 2008**)

Decline of Enron



Enron Stock Price from August 23, 2000 to January 11, 2002



ENRON의 주가 그래프

엔론사태는 분식회계와 같은 비윤리적 기업 활동으로 2000년대 초 도산하였다.

Ethical Management System

Summary

윤리경영시스템(倫理經營제도, Ethical Management System)

An integrated system that is reasonably designed to effectively achieve ethical management objectives and goals in conjunction with the overall management system previously operated by the company

3C –

Code of Conduct (윤리강령)

Compliance Check Organization (준수 감독조직)

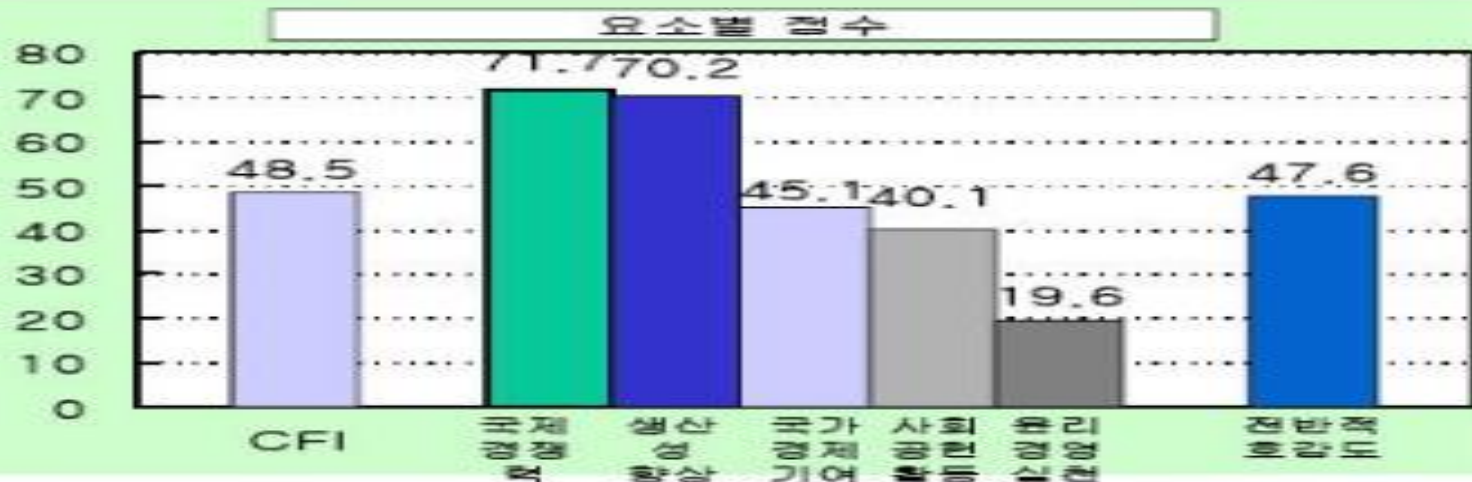
Consensus by Ethics Education (윤리경영 교육을 통한 공감대 조성)

Importance of the System

- Forms a framework for overall corporate ethics (Seo, I.D. and Bae S.H., 2011)
- Formulation of procedures to control corporate behavior (Kim, H.J., 2008)



<http://blog.naver.com/smoker3>



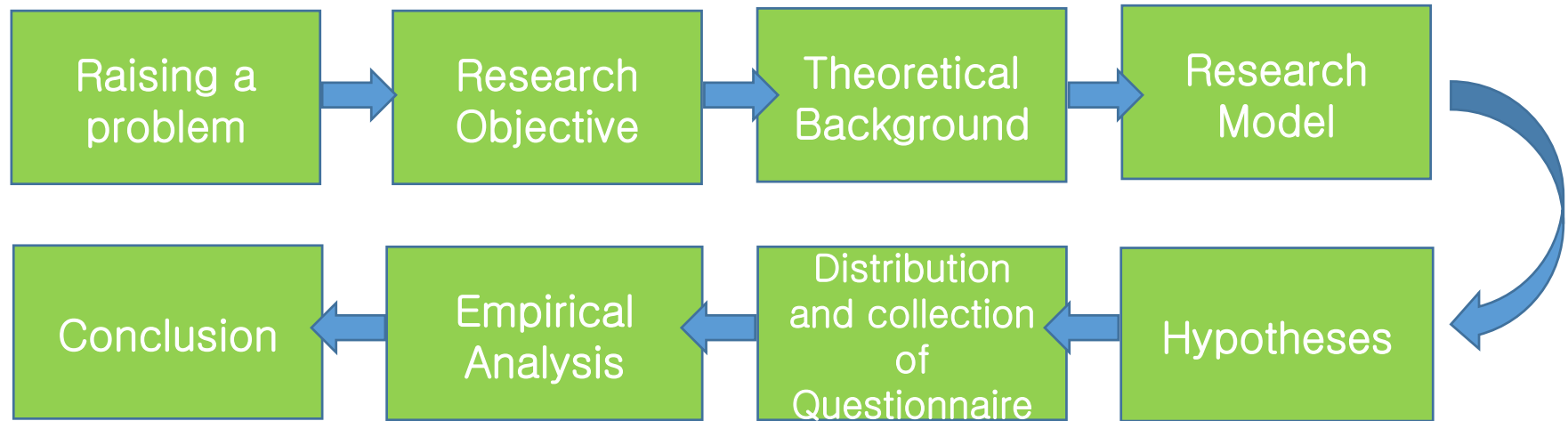
<http://blog.naver.com/smoker3>

Chapter 2

02

Research
Method
Research
Objective

Research Method



Data Collection: Conducted a survey of port-oriented logistics companies regarding to nation's five major ports

- ★ After obtaining approximately about 300 samples, statistical analysis was conducted using SPSS/AMOS

- ★ Analyzed reliability by using Cronbach's Alpha (SPSS)

- ★ Confirmatory Factor Analysis was conducted in order to review the validity of the measurement of the component concept

Questionnaire



<https://moaform.com/q/jkjin5o>

Distributing online questionnaire link through E-mail

Distribution	Collection	Analysis Utilization	Utilization Rate
1,500	344	279	81.10%

Research Objective



- ① Identifying the impact of the ethical management system on corporate performance
- ② Identifying what efficient components are to enhance the function of ethical management
- ③ Exploring ways to effectively establish an ethical management system

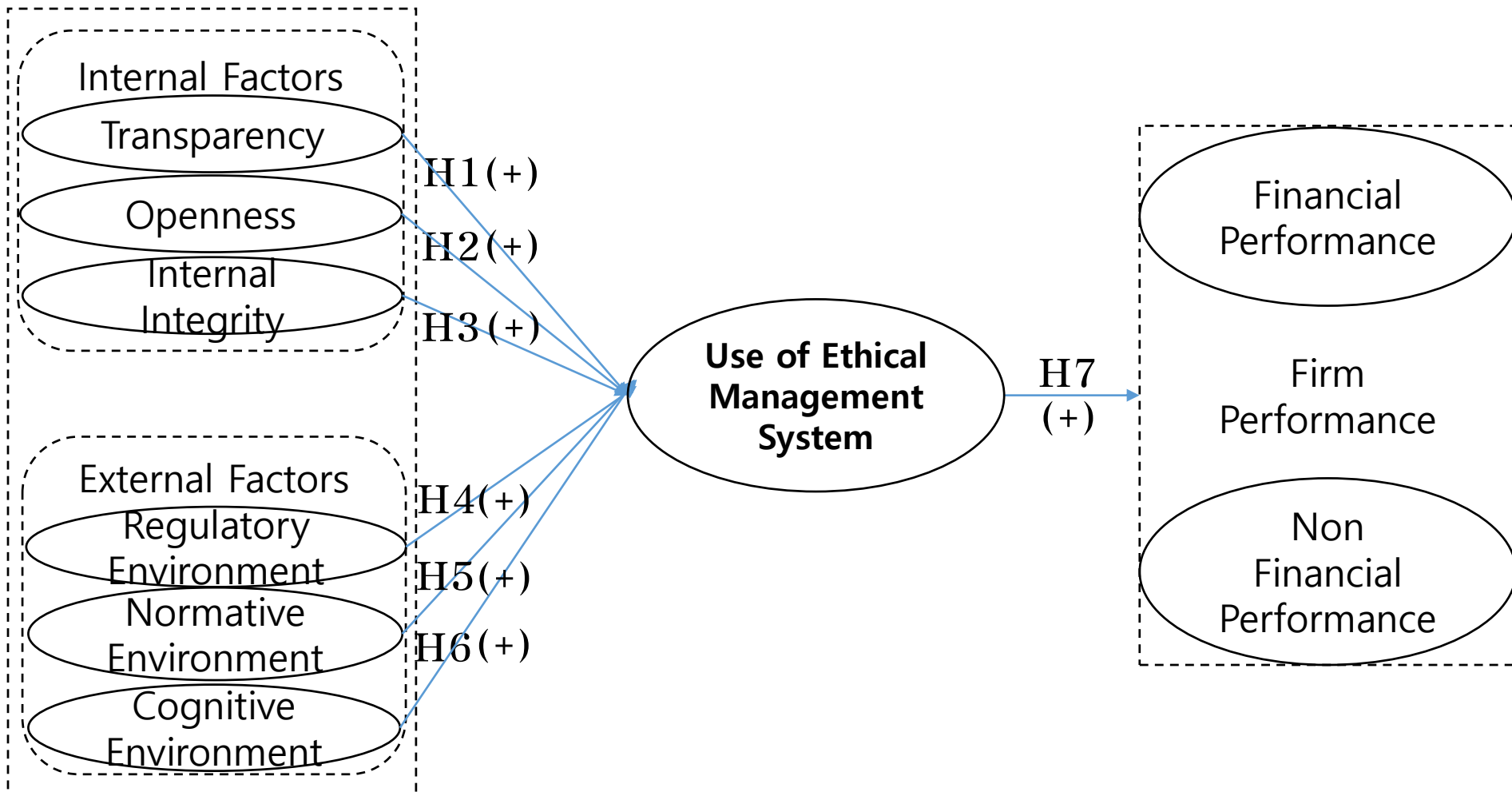
Chapter 3

03

Research Model

Hypotheses

Research Model



Hypothesis



Grouping	Hypothesis			Independent
	Internal (A)	A1	H1: There is a positive relationship (+) between transparency and the use of system	Transparency
		A2	H2: There is a positive relationship (+) between openness and the use of system	Openness
		A3	H3: There is a positive relationship (+) between internal integrity and the use of system	Internal Integrity
	External (B)	B1	H4: There is a positive relationship (+) between regulatory environment and the use of ethical management system	Regulatory Environment
		B2	H5: There is a positive relationship (+) between normative environment and the use of ethical management system	Normative Environment
		B3	H6: There is a positive relationship (+) between cognitive environment and the use of ethical management system	Cognitive Environment
	System (C)	C1	H7: There is a positive relationship (+) between the use of ethical management system and firm performance	Dependent Ethical Management System

Chapter 4

04

Empirical Analysis

Reliability Test



Variable	Number of questions	Cronbach`s Alpha
Transparency	6	.855
Openness	6	.864
Internal Integrity	5	.856
Regulatory Environment	5	.896
Normative Environment	5	.876
Cognitive Environment	5	.802
Ethical Management System	6	.905
Company Result	6	.766

	N	Minimum Value	Maximum Value	Mean	Standard deviation
Transparency	340	1	5	2.78	.877
Openess	340	2	5	3.45	.712
Internal_Integrity	340	2	5	3.62	.674
Regulatory_Environment	340	2	5	3.68	.684
Normative_Environment	340	2	5	3.69	.643
Cognitive_Environment	340	2	5	3.67	.591
Ethical_Management_ System	340	2	5	3.88	.621
Company_Result	340	2	5	3.69	.592

Correlation Test



	x1	x2	x3	x4	x5	x6	y	z
x1	1							
x2	.618**	1						
x3	.451**	.795**	1					
x4	.408**	.687**	.761**	1				
x5	.361**	.613**	.658**	.723**	1			
x6	.379**	.586**	.560**	.605**	.671**	1		
y	.287**	.506**	.479**	.559**	.614**	.768**	1	
z	.333**	.625**	.669**	.886**	.778**	.589**	.586**	1

*p<0.05, **p<0.01

x1(Transparency), x2(Openness), x3(Internal Integrity), x4(Regulatory Environment), x5(Normative Environment), x6(Cognitive Environment),
y(Ethical Management System), z(Company Result)

					RMSEA			SRMR
χ2	df	p	TLI	CFI			Upper Bound	
					Value	Lower Bound		
1249.307	491	.000	.940	.960	.063	.054	.081	.051

Conceptual Validity



Variable				Estimate	S.E.	β	C.R.	P
T6	<-	T		1.000		.578		
T5	<-	T		.979	.088	.534	11.071	+++
T4	<-	T		1.249	.131	.706	9.520	+++
T3	<-	T		1.438	.140	.800	10.308	+++
T2	<-	T		1.496	.143	.811	10.434	+++
T1	<-	T		1.319	.136	.713	9.721	+++
O6	<-	O		1.000		.737		
O5	<-	O		1.098	.084	.736	13.105	+++
O3	<-	O		.955	.074	.640	12.925	+++
O2	<-	O		1.261	.120	.672	10.503	+++
I5	<-	I		1.000		.742		
I3	<-	I		.938	.037	.761	25.439	+++
I2	<-	I		1.120	.033	.852	33.693	+++
I1	<-	I		.844	.042	.674	20.082	+++
R2	<-	R		1.053	.033	.867	31.967	+++
R1	<-	R		.865	.045	.718	19.019	+++
N5	<-	N		1.000		.784		
N4	<-	N		1.029	.040	.795	25.856	+++
N3	<-	N		1.036	.033	.856	30.933	+++
C4	<-	C		.935	.039	.795	24.098	+++
C3	<-	C		1.040	.037	.833	27.742	+++
C2	<-	C		1.066	.041	.813	25.729	+++
E6	<-	E		1.000		.717		
E5	<-	E		1.084	.032	.861	33.912	+++
E4	<-	E		1.027	.025	.908	40.451	+++
E2	<-	E		.970	.029	.852	32.918	+++
CR4	<-	CR		.956	.045	.753	21.072	+++
CR3	<-	CR		1.121	.041	.827	27.038	+++

Convergent Validity



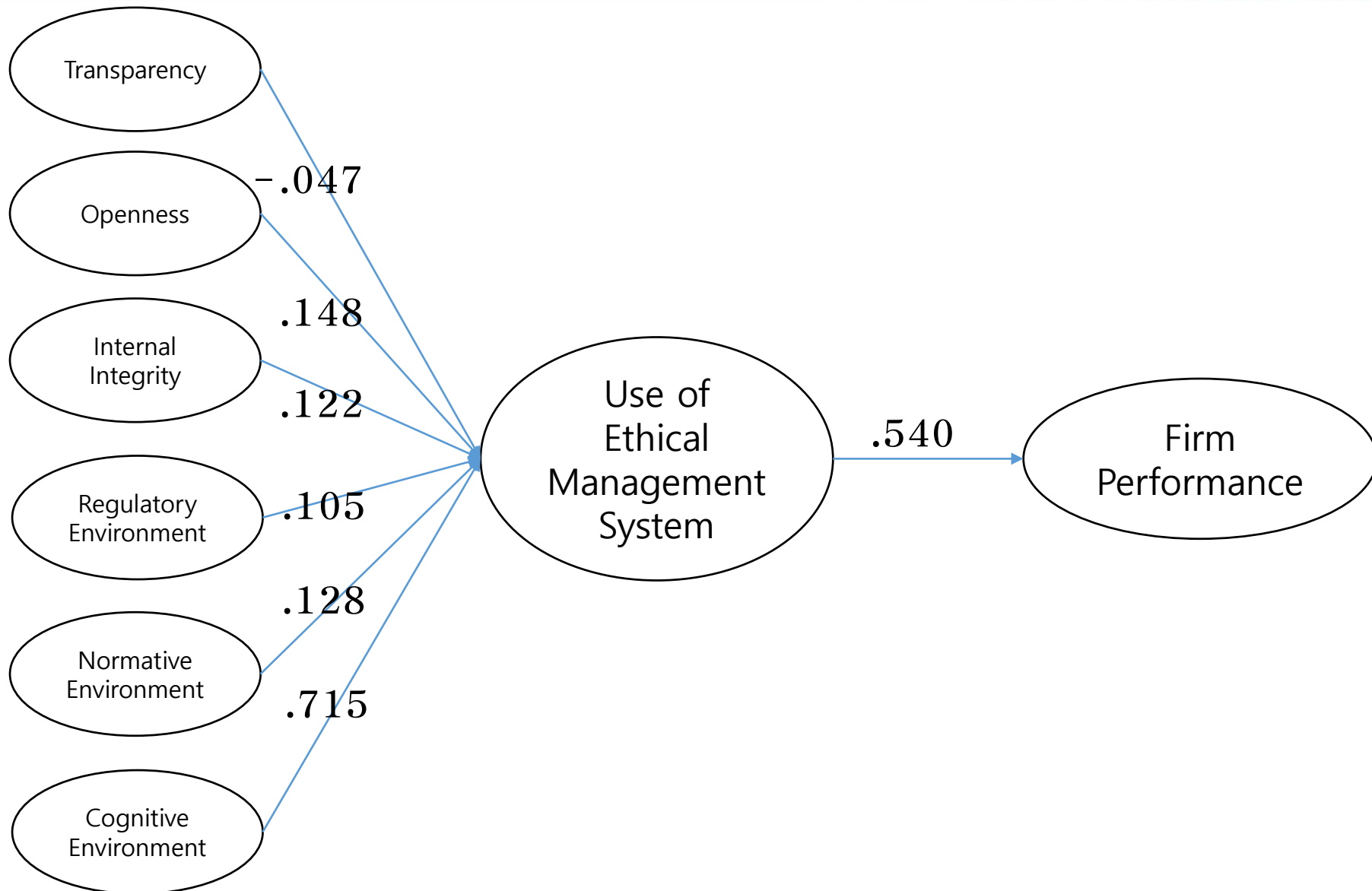
Variable	Reliability	AVE
Transparency	.909	.719
Openess	.823	.638
Internal_Integrity	.879	.647
Regulatory_Environment	.834	.717
Normative_Environment	.898	.746
Cognitive_Environment	.916	.784
Ethical_Management_System	.937	.790
Company_Result	.848	.736

Discriminant Validity



Variable			Correlation Number Square
x1	<--->	x2	0.362
x1	<--->	x3	0.194
x1	<--->	x4	0.166
x1	<--->	x5	0.131
x1	<--->	x6	0.139
x1	<--->	y	0.079
x1	<--->	z	0.106
x2	<--->	x3	0.599
x2	<--->	x4	0.546
x2	<--->	x5	0.482
x2	<--->	x6	0.421
x2	<--->	y	0.326
x2	<--->	z	0.471
x3	<--->	x4	0.579
x3	<--->	x5	0.433
x3	<--->	x6	0.314
x3	<--->	y	0.229
x3	<--->	z	0.448
x4	<--->	x5	0.523
x4	<--->	x6	0.366
x4	<--->	y	0.312
x4	<--->	z	0.785
x5	<--->	x6	0.450
x5	<--->	y	0.377
x5	<--->	z	0.605
x6	<--->	y	0.590
y	<--->	z	0.343
x6	<--->	z	0.347

x1(Transparency), x2(Openness), x3(Internal Integrity), x4(Regulatory Environment), x5(Normative Environment), x6(Cognitive Environment),
y(Ethical Management System), z(Company Result)



Path Analysis



Model Adequacy Index	Recommended Value	Analyzed Value
Chi square / df	Under 3.0	2.285
NFI	Above 0.9	.908
GFI	Above 0.9	.911
AGFI	Above 0.9	.906
CFI	Above 0.9	.909
RMSEA	Under 0.1	.052

Variable			Estimate	S.E.	β	C.R.	P	Hypothesis
y	<--	x1	-.110	.102	-.047	-1.082	.279	Reject
y	<--	x2	.130	.065	.148	1.993	.046	Adopt
y	<--	x3	.100	.038	.122	2.648	.008	Adopt
y	<--	x4	.087	.052	.105	1.659	.097	Reject
y	<--	x5	.111	.053	.128	2.094	.036	Adopt
y	<--	x6	.667	.044	.715	15.156	.000	Adopt
z	<--	y	.559	.047	.540	11.824	.000	Adopt

Hypothesis Verification



No.	Research Hypothesis	Adoption Status
Hypothesis 1-1	There is a positive relationship (+) between transparency and the use of ethical management system.	Rejected
Hypothesis 1-2	There is a positive relationship (+) between openness and the use of ethical management system.	Accepted
Hypothesis 1-3	There is a positive relationship (+) between internal integrity and the use of ethical management system.	Accepted
Hypothesis 2-1	There is a positive relationship (+) between regulatory environment and the use of ethical management system.	Rejected
Hypothesis 2-2	There is a positive relationship (+) between normative environment and the use of ethical management system.	Accepted
Hypothesis 2-3	There is a positive relationship (+) between cognitive environment and the use of ethical management system.	Accepted
Hypothesis 3	There is a positive relationship (+) between the use of ethical management system and firm performance	Accepted

Chapter 5

05

Limitations

Future Implication

Conclusion



- ※ Based on empirical analysis, transparency within a company and government regulation are considered to be unimportant determinants
- ※ This research conducted a subjective evaluation that reveals the relationship between the ethical management system and corporate performance
- ※ It also Identified the factors of utilizing ethical management system along with the need for research on ethical management
- ※ This study is meaningful to verify that the ethical management system currently used by shipping and logistics companies has a positive impact on corporate performance

Limitations



- This research doesn't represents all of the domestic shipping companies
- The subject of research is related to intangible idea therefore I had to much rely on pre-literature review rather than statistical data
- The concept of ethical management within a company is still in its introduction stage
- The development of the ethical management system is not only currently in on- going progress but also in the incomplete stage

Future Implication



- This analysis confirms that the ethical management system has had a significant impact on corporate performance
- It also shares the need of establishing ethical management as a corporate culture by establishing an ethical management system

One implication that I would like to suggest is that by expanding the scope of the survey not only to shipping and port but also to companies in various industrial groups would make the result more practical and accurate

감사합니다

Thank you

