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Tae-Hee Choi

KDI School of Public Policy and Management

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# **Business Ethics - Evidence from Korea\***

Tae H. Choi

KDI School of Public Policy and Management

**Abstract:** This study investigates business ethics attitudes and practices in South Korea through a questionnaire survey conducted in 2015. The survey represents a replication of a similar study conducted in 2005 so that the change in business ethics perceptions between the years 2005 and 2015 could be examined. In detail, this paper looks into (1) ethical conflicts, (2) (un)ethical practices, (3) ethical dilemmas, (4) ethical standards, and (5) institutionalization of business ethics in Korean organizations. Overall, we find that the 2015 results are quite similar to those of the previous study. However, we can also observe an increase in business ethics awareness among Korean respondents and overall improvement of ethical standards in Korea. Our findings also suggest that over time ethical perceptions of Korean respondents have been getting more similar to those of US' and Japanese respondents involved in a similar survey. Finally, we could observe increasing importance of code of ethics and punishment for unethical conduct as the most common tools used to institutionalize business ethics.

**Key words:** Business ethics, Korea, survey, recent changes

**JEL classification:** M14, O57

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Email: TChoi@kdischool.ac.kr

Address: KDI School of Public Policy and Management, 263 Namsejong-Ro, Sejong, 30149, Korea

# 1 Introduction

Globalization and recent world economic crisis have served to highlight the fact that business ethics is one of the key aspects of business environment. This becomes especially apparent considering that 2009 Global Recession is often attributed to insufficient supervision and irresponsible behavior in banking and financial sectors, which could also be viewed as low level of business ethics, that triggered problems later spilling over to real economy. In the following economic instability, it could be expected that companies facing survival threats might turn away from additional issues, such as promotion of business ethics and corporate social responsibility, in favour of their core economic and business activities. In Korea, the potential negative effects of global economic unrest on business ethics could be partially offset by overall stronger attention paid to business ethics by various economic and political agents, including media, business corporations as well as the government. Since 1997, increased attention and effort to boost Korean companies' ethical behavior could be observed. Beginning with business environment and companies restructuring as the necessary condition for Korea to obtain International Monetary Fund bailout, through organizations' stronger effort towards business ethics as documented by Choi and Nakano (2008), to concrete government steps such as the passing of The Improper Solicitation and Graft Act by Korean National Assembly in 2015, it is apparent that business ethics has become a hot issue in South Korea.

In view of the above, our study looks into business ethics in South Korea following the period of increased economic uncertainty caused by recession in the global economy. Specifically, we investigate business ethics attitudes and practices of South Korean managers and employees of various business through a questionnaire survey conducted in 2015. The survey represents a replication of a similar study conducted in 2005, which enables us to see the change in business ethics perceptions between the years 2005 and 2015. In detail, this papers looks into (1) ethical conflicts, (2) (un)ethical practices, (3) ethical dilemmas, (4) ethical standards, and (5) institutionalization of business ethics in Korean organizations. We are especially interested to see how the above mentioned crisis has influenced Korean organizations' business ethics effort. This question becomes even more important in the view of the mentioned Korean business environment changes in favour of increased ethical standards.

We find that majority of respondents perceive the effort for improvement of Korean ethical standards as successful, suggesting that the trend of business ethics enhancement

outweighs the effects of global economic crisis. Among others, our findings also indicate that Korean respondents' ethical attitudes are getting more similar to those of Japanese and US' respondents. We also document changes in the tools used by organizations to institutionalize business ethics; compared with ten years ago, currently, organizations rely more heavily on the ethical code along with the punishment for unethical conduct, with decreasing importance of superiors' and CEO's behavior.

The remainder of the paper is organization as follows. Previous studies in the field are revised in Section 2, followed by research methodology and data description in Section 3, and empirical results in Section 4. The study is concluded in Section 5.

## 2 Previous Studies

Business ethics and business ethics perceptions currently belong among topics enjoying increased attention by researchers as well as practitioners. Until now, a number of studies have focused on business ethics and ethical attitudes of respondents working at various managerial levels of organizations in different countries (Okleshen and Hoyt, 1996; Lee and Yoshihara, 1997; Nakano, 1997; Jackson and Calafell Artola, 1997; Milton-Smith, 1997; Nakano, 1999; Jackson et al., 2000; Handerson et al., 2001; Palazzo, 2002; Beekun et al., 2003; Christie et al., 2003; Sims and Gegez, 2004; Choi and Nakano, 2008). An important study which had a major impact in the field is that of Baumhart (1961), who investigated respondents' ethical perceptions from various perspectives. The study pointed out the difference in respondents' answers based on the way a particular question is asked. Major contribution of the study also consists in the use of hypothetical situations involving ethical dilemmas and the use of questions regarding respondents' view of the behavior of an average manager, which are more likely to reflect actual practices, as opposed to questions about respondents' own behavior.

Business ethics in Korea has also recently been investigated with an increasing effort. One the the major studies focusing on Korean business ethics was that of Lee and Yoshihara (1997), who also studied Japanese ethical perceptions. Their findings show that ethical attitudes of Japanese and Korean executives are similar and that they are also quite similar to the results for the USA reported by other authors. Another major study of Korean business ethics was conducted by Jackson et al. (2000) who found that in making decisions related to workplace and organization ethics, Korean as well as Japanese respondents strongly rely on consequential criteria. Various authors also tried to relate differences in ethical attitudes to

cultural differences across countries (Picken, 1987; Jackson et al., 2000; Weeks and Nantel, 1992; Donaldson and Dunfee, 1999a,b).

More recently, attempts to find links between business ethics and other aspects of business environment along with organizations' activities could be observed. Among those, investigating a sample of Korean companies, Choi and Jung (2008) found that a positive association between companies' ethical commitment and company valuation exists. Similarly, Choi and Pae (2011) document positive effect of Korean companies' commitment to business ethics and financial reporting quality. Studying Korean, Japanese and Czech companies, Šípková and Choi (2013) show differences in ethical perceptions of SME and large companies. According to their findings, SME tend to have overall more positive view of business ethics standards, but at the same time tend to be more sceptical when talking about business ethics improvement over the last ten years. With regards to business ethics changes, Irwin (2010) documents that Korean business environment dramatically changed and business ethics climate is improving.

Contributing to the efforts of previous authors, our study attempts to shed more light on the most recent development of Korean business ethics including how Korean ethical perceptions changed between the years 2005 and 2015. In this respect, this study represents the replication of an earlier survey conducted by Choi and Nakano (2008). Our results are largely consistent with the 2005 findings, but we also document that over the last ten years ethical attitudes of Korean employees have undergone some changes, which are further detailed below.

### **3 Research Design, Data, Sample, and Respondents' Profile**

To study prevailing views of business ethics, this study relies on a survey conducted among Korean organizations in 2014 and partially in 2015. The survey questionnaire was taken from previous studies (Nakano, 1997, 2005; Choi and Nakano, 2008) so that comparability of data and findings over time could be ensured. The amounts in the questionnaire were expressed in local monetary unit, i.e. 'Korean won'. Questionnaires were partially distributed through mail/e-mail and partially by personal visits of survey administrators.

Our survey data is based on a sample of Korean companies and organizations that includes industry companies as well as public and government organizations. However,

to compare our study with the comparative study in 2005 (Choi and Nakano, 2008), we include only business corporations in this study. General characteristics of the organizations and respondents involved in the survey can be found in Table 1. As apparent from the table, in total, 321 questionnaires that could be used for our analysis were returned. Survey respondents were business managers from various organizational levels, with over three quarters (77.2%) working in manufacturing and slightly less than a quarter (22.7%) in non-manufacturing sectors. As for the size of organizations, more than a half (56.7%) of respondent organizations have less than 500 employees.

## 4 Empirical Result

### 4.1 Differing Concepts of Social Responsibility

The first part of the questionnaire focused on differing concepts of respondents' social responsibility. To check their views, respondents were provided a list of seven major stakeholders, such as customers, employees, society in general, etc., which they were supposed to rank based on their feeling of responsibility to that particular stakeholder group (Table 2). The stakeholder respondents felt the strongest responsibility to was ranked first; the stakeholder they felt the least responsible to was ranked seventh. Several interesting points can be made from the table.

Compared with previous results, we can see that in contrast to prior opinions (e.g., Thurow 1992, p. 33), American and Japanese managers view responsibility to stakeholders in a similar manner. Unlike that, for the USA and Korea, Hayes and Abemary (1980) demonstrated the existence of different corporate cultures. They also showed that while American managers put more emphasis on stockholders and their interests and concentrate more on short-term goals, Korean managers feel most responsible to customers. Prior studies also show that both, Japanese as well as Korean respondents, feel strongest responsibility towards customers, followed by employees as a close second and stockholders as a distant third (Choi and Nakano, 2008). It is interesting to see that this ranking is similar for most previous studies and also to the Korean results in this study as well as that of ten years ago. Brenner and Molander (1977) consider the increased emphasis put on customers as a paradigm change from the shareholders wealth maximization towards customer satisfaction as the company's top priority.

Another point worth noticing is that unlike the case of the USA and Japan, in Korea,

respondents feel stronger responsibility towards suppliers. A shift can also be observed in terms of increased importance of government, which ranked sixth in the 2005 survey, but ranked fifth based on 2015 results.

## 4.2 Experience of Ethical Conflicts

One of the important aspects of business ethics are ethical conflicts employees experience in the workplace. Among those, conflicts between employees own ethical attitudes and workplace related responsibilities tend to have most serious implications. In our study, we asked if respondents have previous experience with a conflict between their own ethics and their job responsibilities and workplace roles. Table 3 shows that Korean and Japanese respondents report having experienced this type of ethical conflicts less often than US respondents. A comparative study by Nakano (1997) considers that one reason for this difference might be considerable cognitive dissonance differences between Japan and the USA.

Similarly to the above, our study finds that Korean respondents report the experience with ethical conflicts less often than US and Japanese respondents. This study also finds that in comparison with 2005 survey, the occurrence of ethical conflicts has decreased (31.5% in 2005, 25.9% in 2015).

For those respondents who reported experience with a conflict between personal ethics and company interests, we also investigated the situations in which these conflicts occurred (Table 4). Compared with ten years ago, a surprising change can be observed. While in the 2005 study “gifts, entertainment, and kickbacks” (41.5%) were identified as the most common cause of such conflicts, followed by “fairness and discrimination” as a close second (39.8%), and “honesty in internal communication” (26.8%) a third; in 2015 “fairness and discrimination” (50.6%) became first, “honesty in internal communication” (34.6%) second, and “gifts, entertainment, and kickbacks” a distant third (19.8%). This change might be explained by the fact that since the previous survey Korean government has provided clearer and also stricter guidance regarding the concept of bribery, and this guidance has been followed by most companies. Furthermore, in early 2015 The Improper Solicitation and Graft Act was passed by Korean National Assembly (henceforth Act), which, even though following rather than preceding the 2015 survey, might have changed business environment as business agents were already expecting the Act prior to it being passed. The changes in situations causing most ethical conflicts along with the passing of the Act may also reflect the fact that discrimination and fair behavior has been one of the most popular issues heavily discussed in Korea over the last decade.

Unlike Nakano (1997) who found that to Japanese respondents “firing and layoffs” caused the highest amount of ethical conflicts in 1994 (also second highest in 2004, 25.4%), this study finds no such indication for Korean respondents, who only ranked “firing and layoffs” fourth (18.1%). Potential explanation of this could be that Korean and Japanese employment relations differ considerably. For example, in rigid Korean labor market dismissing employees is relatively more difficult than in Japan. This can be illustrated by the statement of Korean Finance Minister Choi Kyung-Hwan that “Once you hire a regular worker, you have to guarantee his or her employment until the retirement age of 60” (Yonhap, 2014). Similarly, the World Economic Forum ranks South Korea 86<sup>th</sup> for overall market efficiency and 106<sup>th</sup> with regards to hiring and firing. Jackson et al. (2000) also raise an interesting point reporting that laying off employees is regarded as less unethical in Korea than in Japan and the USA, as company interests are considered number one priority by Korean employees. Due to their cultural closeness, more similarity between Korea and Japan could be expected. However, as for ethical conflict ranking, Korean results seem most similar to those found for the USA by Vitell and Festervand (1987).

We can also observe that in 2005 Korean survey “firing and layoffs” was the second least common reason for ethical conflicts (13%, ranked seventh out of eight), whereas in 2015 it increased in importance (18.1%, ranked fourth). This increased feeling of ethical conflicts may be related to overall change in Korean labor market, which has become relatively more flexible with the reform of labor rules (Park, 2015).

Another interesting change is that as source of ethical conflicts “honesty in internal communication” has shifted from the third rank in 2005 (26.8%) to the second in 2015 (34.6%). This shift may be related to stronger internal competition among managers or stronger emphasis put on the performance of individual company departments.

Finally, “price collusion and pricing practices” newly ranking the last among specific causes of ethical conflicts (ranked fourth in 2005) may be explained by the government strongly penalizing steel, construction, gas, and automobile companies for such behavior for a long time.

The survey also investigated which parties are most often involved in ethical conflicts that respondents experience. (Table 5). In 2005 survey, respondents reported that most ethical conflicts arise in relation to suppliers (55.3%) and customers (43.1%), which is quite in line with Vitell and Festervand (1987). We could also observe differing views of Japanese and Korean respondents - in Japan, conflicts involving superiors were the most common types of conflicts but only the third in Korea (38.2%). One explanation for this difference

is mentioned by Nakano (1997) who suggest that this may be related to strong hierarchy existing in Japanese organizations.<sup>1</sup> We also think another factor may be that Korean sample included a relatively small share of top management respondents.

As for 2015 results, the situation in Korea has changed. Like Japanese respondents in 2005 survey, Korean respondents also reported conflicts with superiors as the most common type (55.4%), followed by conflicts with suppliers (47.0%). Change in Koreans perceptions against 2005 Korean survey is that Korean respondents experience more conflicts with competitors, which moved from the fifth (27.6%) to the third position (43.4%). Another interesting change is that Korean respondents now experience fewer conflicts related with customers (27.7%) compared with 2005 (43.1%).

Important consideration related to business ethics is whether organizations' employees put more emphasis on their own ethical codes or whether they rather follow company interests. Table 6 shows that half (50.9%) of Korean respondents put priority on company interests; company interests were clearly preferred especially by top and upper managers (56.7%). In 2015, we can observe less preference for company interests than in 2005. At the same time, 2015 results suggest that Korean respondents have become more 'situational', which is similar to Japanese respondents in the past.

Regarding the difference between Japan and Korea, prior studies document that Korea is a highly collectivistic culture which is even more collectivistic than in Japan (Hofstede, 1980, 2004) . Furthermore, as Vitell et al. (1993) and Ford et al. (1997) point out, Japanese and Korean form of collectivism differ, which has impact on managers' ethical decision making. In their decisions, Korean respondents are thus guided more strongly by collectivism, rather than "situationalism". In the current survey, Korean respondents report less reliance on "personal ethics" (decrease from 26.0% to 12.3%) and stronger share of decisions based on the situational context ("depends on the situation" significant increase from 19.5% to 36.8%). This may be related to increasing individualism of Korean society under the influence of Western culture and globalization.

### 4.3 Ethical Dilemmas

We further investigated the question of how respondents would act in four different situations which involve ethical dilemmas. Presented with four hypothetical cases, respondents

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<sup>1</sup>Likewise, Carroll (1975) documented that middle and lower level managers felt extreme pressure from superiors to satisfy organizational expectations.

were asked to answer two questions: “What would you do?” and “What would an average manager do?” Previous studies in the USA (Baumhart, 1961; Brenner and Molander, 1977; Vitell and Festervand, 1987) and other countries (Israeli, 1988; Alderson and Kakabadse, 1994; Nakano, 1997; Choi and Nakano, 2008) demonstrated the general belief that respondents themselves are more ethical than average managers in the industry.

The four situations respondents were asked to imagine were:<sup>2</sup>

**Situation 1:** An executive earning \$400,000 a year has been padding his/her expense account by about \$20,000.

**Situation 2:** Imagine that you are the president of a company in a highly competitive industry. You learn that a competitor has made an important scientific discovery which will give him an advantage that will substantially reduce the profits of your company. If there were some hope of hiring one of the competitor’s employees who knew the details of the discovery, would you try to hire him?

**Situation 3:** The minister of a foreign nation, where extraordinary payments to lubricate the decision-making machinery are common, asks you, as a company executive, for a \$300,000 consulting fee. In return, he promises special assistance in obtaining a \$100 million contract which should produce, at least, a \$500,000 profit for your company. What would you do?

**Situation 4:** Imagine that you are a regional sales manager for a large industrial supply company and your salespeople are giving money to purchasing agents to obtain sales. This is beyond the generally acceptable meal or promotional item. Assuming that no laws are being violated, what would you do?

Results related to the above situational settings are presented in Table 8. As for Situation 1, majority of respondents (63.2%) consider this behavior unacceptable. We can also observe that the responses of American and Japanese respondents are quite similar, while the percentage of Korean respondents who think this behavior is unacceptable is much smaller than in the USA and Japan. The 2015 results show that compared with 2005, this gap has increased. In relation to that, Nakano (1997) suggests their findings might mean that Japanese managers have high expectations of corporate managers moral responsibility. Another difference against the previous survey (Choi and Nakano, 2008) is that the portion

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<sup>2</sup>The summary of the hypothetical situations we used in our and in previous studies is provided in Table 7.

of respondents who said that it is “acceptable if an executive’s superior knows but says nothing” has increased (from 24.9% in 2005 to 31.5% in 2015).

The results also indicate that Korean respondents follow their superior’s behavior more often than is the case in the USA and Japan, which may be motivated by the feeling of social cohesion with their superiors. In this context, Bae and Chung (1997) related this kind of behavior to Confucian roots: “Thus Korea culture emphasizes that an individual must be loyal to and harmonious with the group.” It seems that for Korean respondents, the level of ethical discomfort can be decreased if their superiors or high management indicate the acceptance of a specific type of behavior, which would normally be considered by respondents as unethical. Korean respondents’ attitudes could also be explained by the strong internal competition that exists in Korean companies. The finding also indicate that respondents are more positive about their own ethical standards than those of average managers.

The answers for Situation 2 (Table 9) again confirm the similarity of attitudes between the USA and Japan, and differing Korean views. Compared with Japan, a higher share of Korean respondents would be willing to hire the employee to gain a technological advantage. The result is very similar to the result of the US study in 1985. Comparing 2005 and 2015 survey, we may observe that no significant change over the last decade has happened (59.5% in 2005 vs 59.4% in 2015). These attitudes may also be interpreted as suggesting that in Korean hiring practices, a higher priority is put on economic profit than ethical conduct.

Table 10 provides the findings related to Situation 3. The table suggests that the US findings are quite different from those in Japan and Korea which appear more similar to each other than in previous situations. The prevailing answer for both countries in 2005 was ‘pay the fee, feeling it was ethical’ chosen by 62.9% of Japanese and 52.8% of Korean respondents. An interesting difference between Japan and Korea may be observed regarding the views of an average manager. Japanese respondents appear more sceptical of the behavior of their colleagues than Korean respondents (63.1% “pay the fee, feeling it was ethical,” in Japan compared with 47.4% in Korea).

As already mentioned above, this may be related to Japanese tendency towards stronger relativist or situational behavior than in Korea (Nakano (1997)) in combination of relatively stronger Korean collectivism. Fritzsche et al. (1995) suggests that another plausible explanation might be stronger Korean orientation on economic profit than the US.

2015 results show that over the last ten years, there has not been a significant change regarding the response “pay the fee, feeling it was ethical”. However, it seems that more Korean managers have moved from “pay the fee, feeling it was unethical (26.7% in 2005)”

to “refuse to pay (29.6% in 2015)”, making the 2015 results more similar to the Japanese results (31.7%). This change in Korean attitudes may be related to recent bribery scandals publicly revealed in Korea involving major Korean companies such as POSCO or Samsung<sup>3</sup>. Furthermore, Korea has also recently joined the OECD anti-bribery convention and in March, 2015 a bill criminalizing small facilitation payments.

The scenario for Situation 4 was that a sales representative offers cash facilitation payments to purchasing agents with the view of increasing sales volume. When looking at the findings of previous studies (Table 11) we can observe that two decades ago Japanese (1994) and Korean (1996) responses were quite similar to the results obtained for the USA in 1985. However, more recent results suggest that respondents’ ethical attitudes in both Asian countries have been evolving - we can observe that an increasing share of respondents say that they would “issue an order stopping future payments as well as reducing salespeople’s pay.” Looking at Korea only, we can observe steady and significant increase in the number of respondents choosing this option, from 17.2% in 1996 to 38.3% in 2005 and 55.1% in 2015. At the same time, 34.3% of Korean managers still report that an average manager would “say and do nothing.”, while when talking about their own behavior only 5.9% of respondents chose this answers. Significant gap between these two answers again confirms that Korean respondents are quite cynical when talking about ethical attitudes of their colleagues.

#### 4.4 Reporting Unethical Practices

This section focuses on respondents willingness to report unethical practice when they encounter it. Among the survey respondents, only slightly less than one third said they have reported unethical conduct in the past (Table 12). From the table we can see that no significant change happened over the last decade. At the same time, there has been a small shift in the attitudes of lower management (63.3% in 2005 vs. 71.6% in 2015) and others, who are now less inclined to report unethical behavior than before (69.7% in 2005 vs. 73.9% in 2015). On the other hand, top and upper management now appears to report unethical practices more often than ten years ago (50% in 2015 vs. 34% in 2005).

We further investigated the reason why respondents did not report unethical practices (Table 13). Surprisingly, compared with 2005, higher share of respondents (48.1%) among those who chose “No” in Table 12 said they were not sure whether the practice was ethical or not. It thus seems that the definition and understanding of business ethics is still unclear.

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<sup>3</sup>[www.reuters.com/article/2015/08/17/petrobras-corruption-idUSL1N10S16120150817xt](http://www.reuters.com/article/2015/08/17/petrobras-corruption-idUSL1N10S16120150817xt)

Contrary to 2005, top and upper level managers were more uncertain as to whether a specific practice is still ethical (53.1% in 2015, 35.9% in 2005). Surprisingly, a substantial portion of lower manager level (27.8%) and other level (25.5%) are skeptical thinking that even if they reported the unethical practice, it would not be solved. In addition, compared with 2005, the share of lower level and other level respondents who were worried about confidentiality has increased (lower level from 8.6% to 19.4%, other level from 7.9% to 15.1%). This finding is especially pertinent because it helps us understand how business ethics in Korean corporations could be improved. First, it seems Korean companies might be able to instil ethical value more effectively by providing employees with more guidance as to the understanding what are ethical/unethical practices. This guidance should be clear and should be able to help employees make decisions involving unethical practices more easily. Second, Korean companies need to strengthen ethical system to protect confidentiality of employees. This for example means that various business ethics tools ensuring confidentiality such as anonymous hotline should be used more often. This finding also seems to indicate that Korean managers base their judgments more on the principle of “collectivism” (Jackson et al., 2000).

#### **4.5 Factors Influencing Managers’ Decisions**

Various factors influencing managers’ decisions in situations involving ethical attitudes can be identified. In our study, we focused on five major factors, which the respondents were asked to rank based on how strongly they feel influenced by them (Table 14). Korean respondents consider one’s personal code of behavior as the most important factor, followed by company policy, behavior of superiors, behavior of one’s equals in the company, and ethical climate of the industry as the weakest factor. This is consistent with the results for Korea in 2005 and also with the ranking provided by Japanese respondents in 2004. The table also shows that compared with 2005, the influence of “one’s personal code of behavior” has weakened (1.99 in 2005, 2.54 in 2015), meaning that other factors have relatively increased in importance. Based on the most recent result, it is possible to say that currently there is no strongly dominant factor influencing respondents’ ethical decisions.

Table 15 summarizes the results regarding factors influencing respondents’ unethical decisions. The result of the current study was very similar to that of the Japanese study in 1994 while same survey in 2005 shows a pattern somewhat similar to that of the American study in 1976. In 2015 Korean survey, “company policy or lack thereof (2.63)” tops the list with “behavior of superiors (2.71)” a close second; this factor was also ranked as the most

influential factor by Japanese respondents in 2004. Taken together, one line of interpretation is that Korean managers tend to believe that their unethical decisions are mostly attributable to company's policy and behavior of superiors.

## 4.6 Institutionalization of Business Ethics

After examining ethical attitudes of respondents, we were interested to see the effort which their organizations dedicate towards promoting business ethics. Table 16 summarizes the results. The findings of the current study were strikingly similar to those of Japanese 2004 study. We can say that on average, more Korean organizations than in the past dedicate effort to improving business ethics. It is encouraging to see that the two positive answers (“eagerly” and “to some extent”) together represent 90.3% of all answers, which is a slight improvement over 2005 result (89.0%). We can also see that over the same period of time, the percentage of respondents saying that their organization is making no effort at all has decreased from 6.9% to 1.6%..

Business ethics enhancing methods and tools used by organizations are presented in Table 17. Interestingly, the “CEO’s frequent statements on ethics” which was the strongest factor in the 2005 study (62.3%), has become the third in 2015 (55.6%), while “Code of ethics”, which was ranked fourth in 2005 (47.9%), has become the most influential factor in 2015 (73.8%). The use of “punishment for unethical conduct” followed as a distant second (55.6% in 2005, 57.5% in 2015). This result is again similar to the Japanese study in 2004. Combined with the results of other studies including those from the USA, it draws that over the last two decades both Korean and Japanese companies have adopted more formal ways for building ethical values into organizations. This can also be interpreted that Japanese as well as Korean companies have successfully adopted more Western style instruments to enhance business ethics. Two decades ago, only less than a half of Japanese managers (37.0% in 1994) and Korean managers (44.2% in 1996) choose “Code of ethics” as a tool for business ethics. This development is also broadly reflected by changes in Korean business environment. For example, in 2014, pharmaceutical industry announced standardized code of ethics for the industry and currently, most Korean companies listed on the stock market have code of ethics <sup>4</sup>

Table 18 indicates that majority of respondents (81.9%) believe that institutionalizing

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<sup>4</sup>The Federation of Korean Industries (FKI) reported that more than 95% of member companies have adopted code of ethics in 2008. FKI found that only 49.7% of companies had code of ethics in the survey of 2002.

efforts of corporations have been fairly successful. Combined together, the results in Table 16, Table 17, and Table 18 draw several important implications. First, over the last two decades Korean companies have made substantial efforts to improve business ethics. Second, this change has been accompanied by overall societal change fostering the spirit of transparent business since the economic crisis. In this sense, the results seem to indicate that institutionalizing efforts for business ethics have been showing a secular improvement in Korea.

#### 4.7 Unethical Practices in Respondents' Industries

Various types of unethical practices exist in business environment. Table 19 shows the results when we asked respondents whether unethical practices exist in their industry. As the table reveals, in 2015 a significant portion of Korean respondents (42.7%) said no unethical practices exist in their industry. Looking at 1996 result for Korea ("none" 8.6%), we can observe a dramatic increase over one decade (49.1% in 2005) and then some decrease by 2015 (42.7%), when the share became similar to that in the USA and Japan. However, at the same time we can observe increase in the share of respondents who report that a few unethical practices exist in their industry (from 32.5% in 2005 to 39.3% in 2015). As for the proportion of managers who answered "don't know", it still remains high (15.9%).

The questionnaire also focused on unethical industry practices most disliked by respondents. The findings related to this topic are extremely varied (Table 20). In 2005, more than a half of Korean respondents pointed at "giving of gifts, gratuities, and bribes (56.2%)" as the practices they would most wish to be eliminated. However, Dubinsky et al. (1991) show that in Japan and the USA, such practices are regarded as more unethical than in Korea. We may observe that compared with 2005 (56.2%), in 2015 (26.7%) these practices seem to be less widespread or causing less discomfort to respondents. Surprising finding is that "unfairness to employees" is a close second (26.0%) in 2015, which is a significant change against the 2005 results (14.9%). This may reflect increased attention paid to employees' rights in Korean society, which is no more willing to tolerate unfairness to employees to such an extent that it was common in the past. This result appears to confirm the findings of previous studies regarding different perceptions of what is unethical conduct between Korea, Japanese, and American (Dubinsky et al., 1991). The third most disliked unethical practice in Korea in 2015 was "price discrimination and unfair pricing (17.6%)".

## 4.8 Changes in business ethics climate over the last ten years

Finally, we were interested to know if the respondents think that ethical climate has improved since 2005. Table 21 shows that 72.3% of Korean respondents think that current ethical standards are higher than before. This was also the opinion of a vast majority of respondents in 2005 (87.2%) as well as in 1996 (76.6%). We can thus observe a clear trend of majority of respondents for each survey consistently feeling that business ethics standards have been improving. On the other hand, in the 2015 survey we may observe that the share of those who think that current ethical standards are lower has also increased, from 0.8% in 2005 to 24.0% in 2015. This is better understood in the context of vast business environment reform including heavier emphasis put on business ethics following Asian Financial Crisis in 1997 and the resulting economic turmoil. Since then, this development has been augmented by the fact that Korean government has increased legal as well as ethical standards and it has also heavily interfered to curb companies' misconducts and generally improve business ethics.

Table 22 shows the factors respondents consider responsible for business ethics improvement. Majority of respondents are of the opinion that social expectations (60.4%) and increased public awareness and scrutiny (59.8%) are the key factors. This is different from 2005 findings according to which 67.3% of respondents chose "top management's emphasis on ethical action." The result from 2005 indicates that CEO's emphasis on ethical conduct is an effective tool for business ethics improvement. At the same time, in 2015 external factors such as social pressure seem to be of more importance. The 2015 findings suggest that in respondents' perceptions increased media coverage, social awareness as well as government efforts have contributed to the improvement of ethical standards.

Table 23 lists major factors that in respondents' view are responsible for the worsening of ethical standards. Compared with the 2005 survey, a bigger portion of Korean respondents blame "political corruption and loss of confidence in government" (70.7% in 2015, 68.4% in 2005), suggesting cynicism of Korean society with regards to politics. This is corroborated by Wilhelm (2002), who shows that in emerging countries corruption is a widespread problem.

## 5 Conclusion

This study looked into ethical perceptions of South Korean managers. Based on questionnaire survey conducted in 2015, we examined attitudes to business ethics as held by employees of major business and government organizations in various industries, and we

also investigated ethical perceptions changes compared with 2005, when a similar study was conducted.

Regarding concepts of social responsibility, we found that South Korean respondents consider customers as their strongest priority, followed by employees and stockholders. This results is very similar to that of 2005 study and also quite similar to ethical perceptions of Japanese and US' respondents as reported in previous studies. In Korean case, we also found increasing importance of the government as a major stakeholder compared with the past.

Our findings show that between the years 2005 and 2015, the occurrence of ethical conflicts in Korea decreased, and we also document that the causes of such conflicts differ. Compared with 2005, the importance of bribes has decreased, while in 2015, issues related to fair treatment of employees are responsible for most ethical dilemmas. We pose this might be explained by overall increase in awareness of ethical issues in Korean society, supported by systematic government effort. We also show that in 2015, Korean respondents report most ethical conflicts involved their superiors and suppliers, while the share of conflicts involving customers has significantly decreased.

When faced with situations involving ethical dilemmas, consistently with the findings of previous studies, Korean respondents see themselves as more ethical than an average manager in their industry. We can also observe decreasing importance of following superiors' behavior and overall stronger preference towards ethical conduct over economic profit.

Much a larger share of respondents than in previous study say they do not have the experience of reporting unethical practice, with an increasing proportion of respondents giving as reason that they were not sure if the practice is ethical or not and concern about confidentiality.

The key factors that play role in respondents' decisions to act ethically are personal code of behavior and company policy, which is the same as in 2005. However, the importance of personal code of behavior is now weaker than in the past. Respondents' unethical decisions are most strongly influenced by company policy and its lack, which is now a more important factor than in 2005, followed by behavior of superiors, which was ranked first in the previous study.

Company's effort towards the improvement of business ethics now much more heavily relies on code of ethics than in the past. Previously the most important tool, CEO's statement regarding ethical issues, has fallen to the third.

A smaller share of respondents than in the past report that no unethical practices exist

in their industry. Detailed examination shows that bribery now represents a much less common unethical practice than in the past, although it still remains number one unethical practice respondents would wish to eliminate. Consistently with the result that more ethical conflicts than in the past now involve unfairness to employees, unfair employee treatment was reported as the second most disliked unethical practice, which is a significant increase in importance compared with the previous study.

Finally, almost three quarters of Korean respondents think that today's ethical standards are higher than ten years ago. However, this ratio is smaller than in the previous study, with an increased share of respondents reporting lower ethical standards at present, mostly blaming their political elite and economic situation.

To summarize, we can say that ethical attitudes of Korean managers have evolved over the last decade. In 2015, we can observe increased importance of business ethics and stronger ethical attitudes of Korean respondents. The increased government effort to support ethical climate in Korean business environment has also materialized in the shift of company tools used in institutionalizing business ethics as well as the topics that are now discussed in relationship to overall ethical standards. We can also see that over time, business ethics attitudes of Korean respondents are getting more similar to those of US' and Japanese respondents in previous studies.

We would like to conclude by saying that a lot of areas of business ethics are still staying largely unexplored. For example, it would be interesting to look in more detail into the cultural gap among countries as an important explanatory factor for differing business ethics attitudes, especially in view of the interplay between local tradition, Westernisation and globalization. It would be also interesting to see whether and how business ethics changes influence international trade of countries with their foreign counterparts and how important a role differing concepts of business ethics play in international economic relations between Eastern cultures and Western societies. Here, it would be for example interesting to see how businessmen in South Korea and the EU perceive this kind of a gap, considering the fact FTA between the EU and South Korean exists, and whether this gap is getting smaller.

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**Table 1: Descriptive Statistics: Respondents<sup>1</sup>**

Descriptive Statistics	Japan(2004)	Korea(2005)	Korea(2015)
<i>Company Size: Number of Employees</i>	(N=225)	(N=391)	(N=321)
1-499	27.6%	48.3%	56.7 %
500-999	14.7%	23.8%	19.3 %
1000-4999	41.3%	19.9%	18.0 %
5000 and more	16.4%	7.9%	5.9 %
<i>Industry</i>	(N=226)		
Manufacturing	48.2%	53.6%	77.2 %
Non-manufacturing	51.8%	46.4%	22.8 %
<i>Management Position<sup>2</sup></i>	(N=221)		
Top Management	8.6%	0.8%	1.9 %
Upper Middle Management	26.7%	24.4%	20.6 %
Lower Middle Management	37.6%	37.9%	27.4 %
Other	27.1%	39.9%	50.2 %

Notes to Table 1:

<sup>1</sup> The number of total respondents is 391. The descriptive statistics are computed after considering missing values.

<sup>2</sup> Top management includes the president, the chairman of board, executive directors, and board members. Upper middle management includes functional department heads and assistant directors of departments, deputy directors of departments; Lower middle management includes all those below the level of deputy director. Other includes non-management personnel, assistant managers, supervisors, and government officers.

**Table 2: Company responsibility to various groups**

Responsibility to	Mean Ranks <sup>1</sup>				
	USA (1985)	Japan (1994)	Japan (2004)	Korea (2005)	Korea(2015)
Customers	1.95 (1)	1.71 (1)	1.45 (1)	2.81 (1)	2.55 (1)
Employees	2.67 (2)	2.58 (2)	2.68 (2)	2.89 (2)	3.28 (2)
Stockholders	3.00 (3)	3.01 (3)	2.74 (3)	3.25 (3)	3.56 (3)
Suppliers	5.75 (6)	4.99 (6)	4.71 (5)	4.34 (4)	4.10 (4)
Government	6.23 (8)	6.70 (7)	6.76 (7)	4.98 (6)	4.67 (5)
Society in general	5.48 (5)	4.37 (5)	4.91 (6)	4.99 (7)	4.79 (6)
Local community	4.78 (4)	4.31 (4)	4.44 (4)	4.64 (5)	5.05 (7)
Dealers	5.94 (7)	*	*	*	*

Notes to Table 2:

<sup>1</sup> The ranking is based upon a scale of 1 (most responsibility) to 7 (least responsibility).

\* Not included in the questionnaire.

**Table 3: Experience of conflicts between company interests and personal ethics**

	USA (1976)	Japan (1994)	Korea (2005)	Korea (2015)
<b>Yes</b>	<b>57.2%</b>	<b>28.5%</b>	<b>31.5%</b>	<b>25.9%</b>
<b>No</b>	<b>42.8%</b>	<b>71.5%</b>	<b>68.5%</b>	<b>74.1%</b>

**Table 4: Conflicts between company interests and personal ethics**

With regard to	US (1976) (Single choice)	US (1985)	Japan (1994) (Multiple choice)	Japan (2004) <sup>1</sup>
Fairness and discrimination	7.0% (5)	22.4 % (2)	31.1% (2)	38.0% (1)
Honesty in internal communications <sup>3</sup>	22.3%** (2)	16.5 % (6)	17.8% (6)	16.9% (8)
Gifts, entertainment, and kickbacks	12.3% (4)	29.3 % (1)	22.2% (4)	18.3% (6)
Firings and layoffs	4.8% (7)	18.1 % (4)	37.8% (1)	25.4% (2)
Honesty in executing contracts and agreements	5.5% (6)	15.5 % (5)	22.2% (4)	22.5% (3)
Honesty in external communication <sup>4</sup>	22.3%** (2)	7.8 % (7)	15.6% (7)	19.7% (5)
Price collusion and pricing practices	2.3% (8)	18.4 % (3)	31.1% (2)	22.5% (3)
Other and unspecified	40.1% (1)	*	8.9% (8)	18.3% (6)
With regard to	Korea (1996)	Korea (2005) <sup>2</sup> (Multiple choice)	Korea (2015) <sup>3</sup>	
Fairness and discrimination	21.4% (5)	39.8 % (2)	50.6 % (1)	
Honesty in internal communication <sup>4</sup>	18.8% (7)	26.8 % (3)	34.6 % (2)	
Gifts, entertainment, and kickbacks	51.8% (1)	41.5 % (1)	19.8 % (3)	
Firings and layoffs	23.2% (4)	13 % (7)	18.5 % (4)	
Honesty in executing contracts and agreements	24.1% (3)	20.3 % (4)	13.6 % (5)	
Honesty in external communication <sup>5</sup>	20.5% (6)	16.3 % (6)	11.1 % (6)	
Price collusion and pricing practices	33.0% (2)	20.3 % (4)	9.9 % (7)	
Other and unspecified	2.7% (8)	2.4 % (8)	2.5 % (8)	

Notes to Table 4:

\* Not reported.

\*\* Internal or external, unspecified.

<sup>1</sup> N=71.

<sup>2</sup> N=123.

<sup>3</sup> Includes reports and memos.

<sup>4</sup> Includes disclosures and advertising.

**Table 5: Conflicts between company interests and personal ethics**

In relation with	US (1976)	US (1985)	Japan (1994)	Japan (2004)
	(Single choice)	(Multiple choice)	(Multiple choice)	
Superiors	12.8% (2)	29.5 % (6)	46.7 % (1)	42.3% (1)
Suppliers	2.5% (7)	49.5 % (2)	20.0 % (5)	23.9% (4)
Competitor	4.8% (5)	41.9 % (3)	22.2 % (4)	18.3% (6)
Customers	12.0% (3)	50.0 % (1)	42.2 % (2)	42.3% (1)
Employees	11.5% (4)	40.0 % (4)	24.4 % (3)	25.4% (3)
The law and government	4.8% (6)	36.3 % (5)	4.4 % (9)	21.1% (5)
Colleagues	*	*	6.7 % (8)	12.7% (8)
Society in general	*	*	15.6 % (6)	18.3% (7)
Stockholders	*	*	4.4 % (10)	5.6% (10)
Other and unspecified	51.6% (1)	*	13.3 % (7)	7.0% (9)
In relation with	Korea (2005) <sup>1</sup>	Korea(2015) <sup>2</sup>		
	(Multiple choice)			
Superiors	38.2% (3)	55.4 % (1)		
Suppliers	55.3% (1)	47.0 % (2)		
Competitor	27.6% (5)	43.4 % (3)		
Customers	43.1% (2)	27.7 % (4)		
Employees	19.2% (6)	26.5 % (5)		
The law and government	17.1% (7)	19.3 % (6)		
Colleagues	27.6% (4)	18.1 % (7)		
Society in general	14.6% (8)	14.5 % (8)		
Stockholders	11.4% (9)	9.6 % (9)		
Other and unspecified	0.0% (10)	1.2 % (10)		

Notes to Table 5:

<sup>1</sup> The number of respondents is 123.

<sup>2</sup> The number of respondents is 83.

\* Not reported.

**Table 6: Ethical decisions - company interests or personal ethics**

	Japan (2004)		
	Total (N=71)	Top & Upper Management (N=31)	Lower Management (N=34)
Company interests	25.4%	22.6%	29.4%
Personal ethics	23.9%	12.9%	29.4%
Depends on the situation	50.7%	64.5%	41.2%
	Korea (2005)		
	Total (N=84)	Top & Upper Management (N=36)	Lower Management (N=48)
Company interests	54.5%	66.7%	52.1%
Personal ethics	26.0%	22.2%	27.1%
Depends on the situation	19.5%	11.1%	20.8%
	Korea (2015)		
	Total (N=57)	Top & Upper Management (N=30)	Lower Management (N=27)
Company interests	50.9%	56.7%	44.4%
Personal ethics	12.3%	10.0%	14.8%
Depends on the situation	36.8%	33.3%	40.7%

Notes to Table 6:

<sup>1</sup> Includes non-management personnel, and government officers.

**Table 7: Cases used in prior studies**

Case	USA (1961)	USA (1976)	USA (1985)	Japan (1994 & 2004)	Korea (1996, 2005, & 2015)
Situation 1	○	○	○	○	○
Situation 2	○	○	○	○	○
Situation 3	×	○	○	○	○
Situation 4	×	×	○	○	○

Notes to Table 7:

<sup>1</sup> The exact monetary amounts vary in each study.

**Table 8: Situation 1: Padding an expense account**

	USA (1961)		USA (1976)		USA (1985)	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Unacceptable, regardless of circumstances	86%	60%	89%	53%	98%	54%
Acceptable, if other executives in company do the same thing	6%	27%	4%	28%	0%	26%
Acceptable, if the executive's superior knows about it and says nothing	11%	28%	9%	33%	2%	20%
	Japan (1994)		Japan (2004) <sup>1</sup>			
	Oneself	Average manager	Oneself	Average manager		
Unacceptable, regardless of circumstances	84.1%	71.0%	90.7%	64.1%		
Acceptable, if other executives in company do the same thing	1.9%	11.0%	0.4%	9.4%		
Acceptable, if the executive's superior knows about it and says nothing	14.0%	18.1%	8.9%	26.5%		
	Korea (1996)		Korea (2005) <sup>2</sup>		Korea (2015)	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Unacceptable, regardless of circumstances	65.2%	30.4%	68.6%	40.6%	63.2%	37.4%
Acceptable, if other executives in company do the same thing	11.4%	41.2%	6.4%	22.6%	5.3%	17.8%
Acceptable, if the executive's superior knows about it and says nothing	23.4%	28.4%	24.9%	36.8%	31.5%	44.9%

Notes to Table 8:

<sup>1</sup> Oneself (N=225), Average manager (N=223).

<sup>2</sup> Oneself (N=389), Average manager (N=389).

<sup>3</sup> Oneself (N=321), Average manager (N=321).

**Table 9: Situation 2: Hiring to obtain technological secrets**

	USA (1961)		USA (1976)		USA (1985)	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Probably would hire him	48%	70%	50%	73%	61%	82%
Probably would not hire him	52%	30%	50%	27%	39%	18%
	Japan (1994)		Japan (1994)			
	Oneself	Average manager	Oneself	Average manager		
Probably would hire him	50.0%	74.5%	48.0%	69.9%		
Probably would not hire him	50.0%	25.5%	52.0%	30.0%		
	Korea (1996)		Korea (2005) <sup>2</sup>		Korea (2015) <sup>3</sup>	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Probably would hire him	69.8%	91.9%	59.5%	84.5%	59.4%	81.9%
Probably would not hire him	30.2%	8.1%	40.5%	15.5%	40.7%	18.1%

Notes to Table 9:

<sup>1</sup> Oneself (N=223), Average manager (N=219).<sup>2</sup> Oneself (N=388), Average manager (N=387).<sup>3</sup> Oneself (N=320), Average manager (N=320).**Table 10: Situation 3: Paying fee to get a contract**

	US (1976)		US (1985)			
	Oneself	Average manager	Oneself	Average manager		
Refuse to pay, even if sale is lost	42%	9%	51%	21%		
Pay the fee, feeling it was ethical in the moral climate of the foreign nation	36%	45%	16%	27%		
Pay the fee, feeling it was unethical but necessary to help insure the same	22%	46%	33%	52%		
	Japan (1994)		Japan (2004) <sup>1</sup>			
	Oneself	Average manager	Oneself	Average manager		
Refuse to pay, even if sale is lost	19.2%	6.4%	31.7%	10.8%		
Pay the fee, feeling it was ethical in the moral climate of the foreign nation	66.0%	55.4%	62.9%	63.1%		
Pay the fee, feeling it was unethical but necessary to help insure the same	14.7%	38.2%	5.4%	26.1%		
	Korea (1996)		Korea (2005) <sup>2</sup>		Korea (2015) <sup>2</sup>	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Refuse to pay, even if sale is lost	13.0%	2.7%	20.5%	9.6%	29.6%	12.5%
Pay the fee, feeling it was ethical in the moral climate of the foreign nation	65.2%	41.3%	52.8%	47.4%	52.0%	47.0%
Pay the fee, feeling it was unethical but necessary to help insure the same	21.7%	56.0%	26.7%	43.0%	18.4%	40.5%

Notes to Table 10:

<sup>1</sup> Oneself (N=224), Average manager (N=222).<sup>2</sup> Oneself (N=386), Average manager (N=386).<sup>3</sup> Oneself (N=321), Average manager (N=321).

**Table 11: Situation 4: Issuing an order to stop payments to purchasing agents**

	US (1985)		Japan (1994)		Japan (2004) <sup>1</sup>	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Issue an order stopping future payments and reduce salespeople's pay in the amount equal to their commissions on the sales gained as a result of future payments	18%	6%	19.6%	8.4%	27.2%	13.6%
Issue an order stopping future payments, but do not reduce sales people's pay	77%	74%	75.9%	67.1%	69.2%	60.2%
Say and do nothing	5%	21%	4.4%	24.5%	3.6%	26.2%

  

	Korea (1996)		Korea (2005)		Korea (2015)	
	Oneself	Average manager	Oneself	Average manager	Oneself	Average manager
Issue an order stopping future payments and reduce salespeople's pay in the amount equal to their commissions on the sales gained as a result of future payments	17.2%	5.2%	38.3%	24.2%	55.1%	34.0%
Issue an order stopping future payments, but do not reduce sales people's pay	73.2%	55.2%	49.2%	31.9%	38.9%	31.8%
Say and do nothing	9.6%	39.6%	12.4%	43.9%	5.9%	34.3%

Notes to Table 11:

<sup>1</sup> Oneself (N=224), Average manager (N=221).<sup>2</sup> Oneself (N=386), Average manager (N=385).<sup>3</sup> Oneself (N=321), Average manager (N=321)

**Table 12: Experience of reporting unethical practice**

<b>Korea (2005)</b>				
	<b>Total (N=389)</b>	<b>Top &amp; Upper Mgt. (N=97)</b>	<b>Lower Mgt. (N=147)</b>	<b>Other<sup>1</sup> (N=145)</b>
<b>Yes</b>	<b>33.7 %</b>	<b>34.0 %</b>	<b>36.7 %</b>	<b>30.3 %</b>
<b>No</b>	<b>66.3 %</b>	<b>66.0 %</b>	<b>63.3 %</b>	<b>69.7 %</b>
<b>Korea (2015)</b>				
	<b>Total (N=321)</b>	<b>Top &amp; Upper Mgt. (N=72)</b>	<b>Lower Mgt. (N=88)</b>	<b>Other (N=161)</b>
<b>Yes</b>	<b>32.1 %</b>	<b>50.0 %</b>	<b>28.4 %</b>	<b>26.1 %</b>
<b>No</b>	<b>67.9 %</b>	<b>50.0 %</b>	<b>71.6 %</b>	<b>73.9 %</b>

Notes to Table 12:

<sup>1</sup> Includes Nonmanagement personnel, government officers.

**Table 13: Reasons for not reporting unethical practice**

	Korea (2005)			
	(Multiple choice)			
	Total (N=258)	Top & Upper Mgt. (N=64)	Lower Mgt. (N=93)	Other <sup>1</sup> (N=101)
Was not really sure whether the practice was unethical	39.1 %	35.9 %	38.7 %	41.6 %
Did not think that misconduct could be resolved	22.9 %	25.0 %	18.3 %	25.7 %
Concerned about confidentiality	9.3 %	12.5 %	8.6 %	7.9 %
Concerned about relationship with superior or colleagues	9.7 %	9.4 %	10.8 %	8.9 %
Other	0.8 %	1.6 %	1.1 %	0.0 %

  

	Korea (2015)			
	(Multiple choice)			
	Total (N=210)	Top & Upper Mgt. (N=32)	Lower Mgt. (N=72)	Other <sup>1</sup> (N=106)
Was not really sure whether the practice was unethical	48.1 %	53.1 %	38.9 %	52.8 %
Did not think that misconduct could be resolved	25.2 %	18.8 %	27.8 %	25.5 %
Concerned about confidentiality	17.1 %	18.8 %	19.4 %	15.1 %
Concerned about relationship with superior or colleagues	9.5 %	9.4 %	13.9 %	6.6 %
Other	0.0 %	0.0 %	0.0 %	0.0 %

Notes to Table 13:

<sup>1</sup> Includes Nonmanagement personnel, government officers.

**Table 14: Factors influencing ethical decisions**

	Mean Ranks <sup>1</sup>					
	USA	Japan		Korea		
	1961	1994	2004 <sup>2</sup>	1996	2005 <sup>3</sup>	2015 <sup>4</sup>
One's personal code of behavior	1.5 (1)	1.99 (2)	1.73 (1)	1.93 (1)	1.99 (1)	2.54 (1)
Company policy	2.8 (2)	1.94 (1)	2.12 (2)	2.43 (2)	2.44 (2)	2.85 (2)
Behavior of superiors	2.8 (2)	2.92 (3)	2.79 (3)	4.18 (5)	2.88 (3)	3.01 (3)
Behavior of one's equals in the company	4.0 (5)	4.31 (5)	4.06 (4)	4.06 (3)	3.88 (4)	3.11 (4)
Ethical climate of the industry	3.8 (4)	3.93 (4)	4.11 (5)	4.09 (4)	3.89 (5)	3.48 (5)

Notes to Table 14:

<sup>1</sup> The ranking is based upon a scale of 1 (most influential) to 5 (least influential).

<sup>2</sup> N=215.

<sup>3</sup> N=383.

<sup>4</sup> N=321.

**Table 15: Factors influencing unethical decisions**

Responsibility to	Mean Ranks <sup>1</sup>						
	USA		Japan		Korea		
	1961	1976	1994	2004 <sup>2</sup>	1996	2005 <sup>3</sup>	2015 <sup>4</sup>
Company policy or lack thereof	3.3 (4)	3.27 (2)	2.00 (1)	2.30 (2)	2.59 (2)	2.53 (2)	2.63 (1)
Behavior of superiors	1.9 (1)	2.15 (1)	2.14 (2)	2.04 (1)	3.00 (3)	2.43 (1)	2.71 (2)
Ethical climate of the industry	2.6 (2)	3.34 (3)	3.08 (3)	3.22 (3)	2.11 (1)	3.09 (3)	2.80 (3)
Behavior of one's equals in the company	3.1 (3)	3.37 (4)	4.18 (5)	4.09 (5)	4.10 (5)	3.75 (5)	3.27 (4)
One's personal financial needs	4.1 (5)	4.46 (6)	3.75 (4)	3.29 (4)	3.17 (4)	3.20 (4)	3.61 (5)
Society's moral climate	*	4.22 (5)	*	*	*	*	*

Notes to Table 15:

<sup>1</sup> The ranking is based upon a scale of 1 (most influential) to 5 (least influential).

<sup>2</sup> N=224.

<sup>3</sup> N=375.

\* Not included in the questionnaire.

**Table 16: Company eagerness to instill ethical values in the organization**

	Japan (1994) <sup>1</sup>	Japan (2004) <sup>2</sup>	Korea (1996)	Korea (2005) <sup>3</sup>	Korea (2015) <sup>4</sup>
Yes, very eagerly	14.7%	36.8%	38.4%	30.9%	35.5 %
Yes, to some extent	46.8%	54.3%	46.5%	58.1%	54.8 %
Yes, but very little	25.0%	7.2%	14.8%	4.1%	8.1 %
Not at all	13.5%	1.8%	3.9%	6.9%	1.6 %

Notes to Table 16:

<sup>1</sup> N=156.<sup>2</sup> N=223.<sup>3</sup> N=391.<sup>4</sup> N=321.**Table 17: Methods of instilling ethical values in the organization**

	USA		Japan		Korea		
	1984	1989-90	1994	2004 <sup>1</sup>	1996	2005 <sup>2</sup>	2015 <sup>3</sup>
Code of ethics	93.3%	93%	37.0%	68.8% (1)	44.2%	47.9% (4)	73.8% (1)
Punishment for unethical conduct	*	*	59.3%	65.6% (2)	40.8%	55.6% (2)	57.5% (2)
CEO's frequent statements on ethics	*	*	33.3%	57%	37.4%	62.3% (1)	55.6% (3)
Anonymous reporting hotline for unethical conduct	*	*	*	*	*	45.5% (5)	47.3% (4)
Ombudsman	7.6%	*	1.5%	*	8.2%	28.9%	43.8% (5)
Employee training in ethics	44.4%	52%	23.7%	62.9% (3)	46.9%	44.1%	41.2%
Corporate philosophy including ethics	*	*	67.4%	33.9%	54.4%	50.7% (3)	40.3%
Contribution to social/cultural activity	*	*	34.0%	34.8%	28.6%	30.9%	39.6%
Suggestion system on ethics	*	*	13.3%	61.5% (4)	31.3%	35.5%	34.5%
Following parent company's philosophy	*	*	*	19.5%	*	17.1%	27.5%
Ethics committee	17.9%	25%	6.7%	57.5% (5)	17.7%	22.3%	24.0%
Social auditing	7.6%	*	8.9%	*	6.8%	14.3%	22.0%
Other	0.9%	11%	6.7%	4.5%	*	1.4%	1.9%

Notes to Table 17:

<sup>1</sup> N=221.<sup>2</sup> N=363.<sup>3</sup> N=313.

\* Not included in the questionnaire.

**Table 18: Success of the efforts in instilling ethical values in the organization**

	USA (1989-90)	Japan (1994)	Japan (2004) <sup>1</sup>	Korea (1996)	Korea (2005) <sup>2</sup>	Korea (2015) <sup>3</sup>
Very satisfactory	42%	9.5%	1.4%	10.7%	11.0%	12.3 %
Satisfactory	54%	52.6%	67.6%	59.7%	71.4%	69.6 %
Unsatisfactory	0%	21.9%	18.7%	27.5%	11.5%	11.7 %
Very unsatisfactory	0%	8.0%	3.2%	2.0%	0.8%	0.3 %
Cannot tell	4%	8.0%	9.1%		5.2%	6.0 %

Notes to Table 18:

<sup>1</sup> N=219.<sup>2</sup> N=391.<sup>3</sup> N=316.

**Table 19: Existence of unethical industry practices**

	USA			Japan		Korea		
	1961	1976	1985	1994	2004 <sup>1</sup>	1996	2005 <sup>2</sup>	2015 <sup>3</sup>
None	19%	27%	44%	32.2%	37.3%	8.6%	49.1%	42.7 %
Yes, a few	59%	49%	47%	46.2%	35.6%	64.9%	32.5%	39.3 %
Yes, many	9%	6%	3%	6.3%	3.6%	24.5%	2.8%	2.2 %
Do not know	13%	18%	6%	15.4%	23.6%	2.0%	15.6%	15.9 %

Notes to Table 19:

<sup>1</sup> N=225.<sup>2</sup> N=391.<sup>3</sup> N=321.**Table 20: Existence of unethical industry practices**

	USA (Single choice)			Japan (Multiple choice)		Korea (Multiple choice)		
	1961	1976	1985	1994	2004 <sup>1</sup>	1996	2005 <sup>2</sup>	2015 <sup>3</sup>
Giving of gifts, gratuities, and bribes	23%	26%	21.2% (2)	17.5%	22.1% (3)	41.9%	56.2% (1)	26.7% (1)
Unfairness to employees	6%	9%	7.5%	17.5%	13%	8.1%	14.9%	26.0% (2)
Price discrimination and unfair pricing	18%	8%	22.7% (1)	19.3%	23.4% (2)	12.5%	28.1% (2)	17.6% (3)
Dishonesty in making or keeping a contract	7%	1%	7.5%	5.3%	10.4%	5.1%	11.6%	16.0%
Price collusion by competitors	8%	3%	9%	19.3%	29.9% (1)	2.9%	19.8% (3)	13.7%
Overselling	*	*	1.5%	*	3.9%	*	7.4%	7.6%
Cheating customers	9%	14%	19.7% (3)	5.3%	13%	23.5%	12.4%	5.3%
Miscellaneous unfair competitive practices	10%	14%	*%	*	7.8%	*	5.8%	5.3%
Unfair credit practices	*	*	3%	0.0%	1.3%	1.5%	3.3%	0.0%
Dishonest advertising	14%	5%	6%	0.0%	6.5%	2.9%	1.7%	0.0%
Other	5%	20%	1.5%	15.8%	19.5%	1.5%	0.8%	19.1% <sup>4</sup>

Notes to Table 20:

\* Not included in the questionnaire.

<sup>1</sup> N=77.<sup>2</sup> N=130.<sup>3</sup> N=131.**Table 21: Ethical standards: Today vs. 10 years ago**

	USA (1985)	Japan (1994)	Japan (2004) <sup>1</sup>	Korea (1996)	Korea (2005) <sup>2</sup>	Korea (2015) <sup>3</sup>
Higher standards today	40%	38.6%	50.7%	76.6%	87.2%	72.3 %
About the same	45%	38.6%	33.3%	1.9%	12.0%	3.7 %
Lower standards today	15%	22.8%	16.0%	21.4%	0.8%	24.0 %

Notes to Table 21:

\* Not included in the questionnaire.

<sup>1</sup> N=225.<sup>2</sup> N=391.<sup>3</sup> N=321.

**Table 22: Factors causing higher standards**

	USA		Japan		Korea	
	1976	1985	1994	2004 <sup>1</sup>	2005 <sup>2</sup>	2015 <sup>3</sup>
	(Singly choice)		(Multiple choice)		(Multiple choice)	
New social expectations for business's role in society	5%	2.3%	93.2%	92.2%	60.6%	60.4 %
Increased public awareness and scrutiny	20%	9.3%	67.8%	73.6%	63.9%	59.8 %
Top management's emphasis on ethical action	*	32.6%	50.8%	49.7%	67.3%	58.3 %
Public disclosure, publicity and media coverage	31%	2.3%	59.3%	77.7%	46.1%	53.3 %
Government regulation, legislation, and intervention	10%	11.6%	16.9%	7.3%	24.5%	31.2 %
Increased commitment of corporations to cultural and environment protection activities	*	*	50.8%	34.2%	24.5%	25.2 %
Increase in manager professionalism and education	9%	23.3%	13.6%	4.7%	15.2%	19.6 %
Business's greater sense of social responsibility	5%	13.9%	*	*%	*	*
Other	20%	4.7%	1.7%	4.7%	0.0%	0.9 %

Notes to Table 22:

<sup>1</sup> N=193.<sup>2</sup> N=388.<sup>3</sup> N=321. \* Not included in questionnaire.**Table 23: Factors causing lower standards**

	USA		Japan		Korea	
	1976	1985	1994	2004 <sup>1</sup>	2005 <sup>2</sup>	2015 <sup>3</sup>
	(Singly choice)		(Multiple choice)		(Multiple choice)	
Political corruption and loss of confidence in government	9%	19.0%	54.3%	41.5%	68.4%	70.7 %
Competition and current economic condition	13%	14.3%	40.0%	53.7%	56.0%	63.9 %
Greed and the desire for gain	8%	19.0%	74.3%	45.1%	61.8%	61.7 %
Lack of personal integrity	*	19.0%	40.0%	27.4%	31.8%	33.3 %
Society's standards are low	34%	28.6%	65.7%	50.0%	32.9%	31.8 %
Pressure for survival in slow economy	*	*	34.3%	67.1%	32.4%	31.2 %
Media coverage and communications create atmosphere for unethical acts	9%	*	*	*	*	*
Pressure for profit from superiors within the company	9%	*	*	*	*	*
Other	21%	*	5.7%	5.5%	0.3%	0.3 %

Notes to Table 23:

<sup>1</sup> N=227.<sup>2</sup> N=377.<sup>3</sup> N=321.

\* Not included in questionnaire.

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