

## Doing Business in South Korea | Korean Social and Business Culture

### A Korean Culture Overview

#### Fact file

- **Official name** – Republic of Korea
- **Population** – 48, 846, 823\*
- **Official Language** –Korean, English widely taught in junior high and high school
- **Currency** – South Korean won (KRW)
- **Capital city** –Seoul
- **GDP** – purchasing power parity \$897.4 billion\*
- **GDP Per Capita** - purchasing power parity \$24,200\*



#### Overview

Despite outside influences from its neighbouring countries, South Korea has maintained a distinct and homogeneous identity influenced by its religious beliefs and breathtaking landscapes. The people of Korea share a common pride in the country's unique cultural and linguistic heritage that has emerged during her long and turbulent history. As a result, Korea boasts an enriched cultural outlook that is reflected in its current business culture.

### Korean Culture – Key Concepts and Values

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

***Inhwa*** – Drawing from Confucian beliefs, the term *inhwa* signifies the Korean approach to harmony and is closely related to the name of the village "Inhwa". As a collectivist society, consensus is an important element in promoting and maintaining harmony in Korea. To avoid disturbing *inhwa*, Koreans will often reply with a positive answer and show reluctance to give direct refusals. In Korean business culture this manifests itself in an innate sense of loyalty, employee obedience and courteous and formal behaviour.

***Confucianism*** – Confucianism became a common philosophy in ancient Korea bringing about significant changes and exerting considerable influence on the Korean people. With its roots set deep in Korean culture, Confucianism continues to pervade the consciousness of many Koreans, shaping the Korean moral system, its national laws, and general way of life in Korea. The ubiquitous Confucian beliefs and values of contemporary Korean society highlight a plethora of social concerns, and include obligation towards others, respect for family, elders and authority, loyalty, honour, and filial piety.

**Personal Relationships** - In Korea, personal relations take precedence over business. In order to be successful, it is vital to establish good, personal relationships based on mutual trust and benefit. Korean business culture is firmly grounded in respectful rapport and in order to establish this, it is essential that you have the right introduction and approach the company through a mutual friend or acquaintance at the appropriate level. Koreans spend a significant amount of time developing and fostering personal contacts. Therefore, time should be allocated for this process, particularly during the first meeting, which is frequently used to simply establish rapport and build trust. Once good, solid relations have been recognised in Korea, continuous reinforcement and maintenance is vital.

### **Doing Business with Koreans**

The changing face of Korea continues to evolve at an unprecedented pace in current Korean society. A country well known for its difficult history, Korea was liberated from Japanese occupation at the end of World War II, only to be faced with the Cold War struggle that divided the country into two separate states; the Southern democratic republic, and the Northern communist style government. In the years that followed the Korean War, South Korea experienced rapid economic development and has continued to prosper in today's modern world economy, becoming the largest in Asia after Japan and China. The present-day increase in business opportunities in Korea only increases the importance of cultural knowledge for those wishing to enter into this modern day market.

### **Korean Business Part 1 – Working in Korea (Pre-departure)**

- **Working practices in Korea**
  - Before doing business in Korea prior appointments are required and should generally be made a few weeks in advance. The most suitable times to arrange a business meeting are normally between 10am and 12pm or 2pm and 4pm.
  - For both social occasions and business meetings, punctuality is essential. Your Korean counterparts will expect you to arrive on time as a sign of respect; therefore it is advised to call beforehand if you will be delayed. You may find however, that top Korean business executives may arrive a few minutes late to appointments. This is a reflection of their extremely busy and pressured schedule and should not be taken with offence.
  - It is recommended that you send any proposals, company brochures, and marketing material, written in both Korean and English, as a preview for your Korean contacts before you visit the country.
- **Structure and hierarchy in Korean companies**
  - Korea is known for its vertical social structure based on age and social status. The organisational arrangement of Korean companies is highly centralised with authority concentrated in senior levels.
  - Influenced by Confucianism, Koreans respect for authority is paramount in their business culture and practices. High-ranking individuals tend to have more power over their subordinates than in the West. Consequently, decision making in Korea will follow a formal procedure in which senior approval is necessary.

- **Working relationships in Korea**

- Generally speaking, responsibility is delegated to trusted, dependable subordinates by their superiors. Therefore, it is imperative not to offend or ignore the lower ranks and to show the various managers the same respect as other senior levels.
- Age is the most essential component within a relationship in Korea. A person older than you automatically holds a certain level of superiority. This is particularly evident in Korean business settings.
- Personal ties in Korea, such as kinship, schools, birthplaces etc, often take precedence over job seniority, rank or other factors, and have significant influence over the structure and management of Korean companies.

### **Korea Business Part 2 - Doing Business in Korea**

- **Business practices in Korea**

- The exchange of business cards in Korea is vital for initiating introductions. Korean's prefer to know the person they are dealing with. Therefore, it is important to emphasise your title so that the correct authority, status, and rank is established. It is advised to have the reverse side of your card translated into Korean. Cards should be presented and accepted with both hands and must be read and studied with respect and consideration before placing them on the table.
- Gift-giving is a common practice within Korean business settings. Generally given at the first business meeting, gifts are often used to acquire favours and build relationships. You should allow the host to present his gift first and be sure to accept the gift with both hands. To avoid loss of face, gifts of similar value should be exchanged and gifts of greater value should be given to the most senior person respectively.
- Like most Asian countries, Koreans believe that contracts are a starting point, rather than the final stage of a business agreement and prefer them to be left flexible enough so that adjustments can be made. Although many Koreans now appreciate the legal implications regarding the signing of contracts, they may still be interpreted as less important than the interpersonal relationship established between the two companies. It is vital that you are aware of how your Korean counterparts view these documents in order to avoid any possible misunderstandings.
- When meeting your Korean counterpart for the first time, always wait to be introduced as third party introductions are generally preferred. Today, it is quite common for Koreans to shake hands with foreign colleagues after a bow, encompassing both cultural styles. To show respect during handshaking, you should ensure that you support your right forearm with the left hand. When departing, a bow is usually sufficient.

### **Korean Business Etiquette (Do's and Don'ts)**

- ✓ DO maintain an element of modesty and humility as these aspects are extremely important in Korean culture. With this in mind, you must try to avoid over-selling previous business achievements.
- ✓ DO make direct eye-contact when addressing Korean business professionals, as it is important to indicate your honesty and interest. However, some Koreans do not make

eye-contact for any length of time when in the presence of an authority figure as a sign of respect.

- ✓ DO refrain from being overly impatient. The decision making process in Korea is often done collectively and will therefore require more time.
- ✗ DON'T address a Korea by his or her given name as it is considered extremely impolite. Korean names begin with the family name and are followed by a two-part given name. The correct way to address a Korean is with Mr, Mrs, or Miss together with their family name. You should address your Korean counterparts using appropriate titles until specifically invited to do otherwise.
- ✗ DON'T display criticism in public. It should be conducted in private where loss of face will be diminished. In a similar vein, opposing someone directly can also cause a Korean to lose face and should be avoided.
- ✗ DON'T use large hand gestures or facial expressions. Talking or laughing loudly is also considered impolite in Korean culture.

### **Korean Culture Quiz – true or false**

1. The number 4 is considered to be unlucky in Korea. Therefore, one must never give a gift made up of 4 items.
2. When entering a group meeting in Korea, the senior member of your party should enter the room first, then the next highest ranking person and so on. Koreans will also be seated according to rank.
3. The colour red symbolises prosperity and happiness in Korea. Writing a person's name in red ink means they will have success in the future.
4. Your Korean counterparts will prefer you to contact them directly and they appreciate you simply popping in to see them
5. When visiting a Korean family home it is vital to take off your shoes when first entering the house in order not to offend your host.

### **Cultural Quiz – Answers**

1. True.
2. True.
3. False. Signing a contract or writing a person's name in red ink is the worst thing you can do in Korea, since this indicates that the person is deceased.
4. False. It is important to have a formal introduction to any person or company with whom you want to do business with in Korea.
5. True.

\* Source: CIA The World Factbook 2007

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