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A Study on Corporate Social Responsibility and Moral Management

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Abstract

Foreign scholars pointed out that the root of the Korean economic crash was A Study on Corporate Social Responsibility and Moral Management due to the government's excessive regulations, the harmful effects of government finance, and the high-cost political structure. Despite the need to ease the rigidity of governmental finance and various regulations and operate the financial system through autonomous market mechanisms, it was argued that various bribes, express fees, and collusive lobbying funds were inevitably generated due to discretionary acts of bureaucrats with licenses and permits, complicated administrative procedures and systems, and regulatory changes in government policies. In fact, in developing countries, corruption was a necessary evil for economic development and was seen as a lubricant in economic management. The purpose of this study is to study the social responsibility and corporate ethics of chaebol.

First: consider the problems of large corporations. Second, We will consider the direction and policy of corporate ethics. This paper sheds light on the ethical management of the Korean chaebol, considering that corporate ethics and transparency for the social responsibility of chaebols are important

Keywords: *Corporate Socia Responsibility, Moral Management, Regulation, Discretionary Acts, Corporate Ethics*

1. INTRODUCTION

When the IMF economic crisis hit, foreign scholars pointed out that the root of the Korean economic crash was due to the government's excessive regulation, the harmful effects of government finance, and the high-cost political structure. Although the rigidities of governmental finance and various regulations must be eased and the financial system must be operated by autonomous market mechanisms, it was argued that discretionary acts of bureaucrats with various licenses and permits, complex administrative procedures and systems, and regulatory changes in government policies inevitably led to various bribes, ¹express fees, and collusive lobbying funds. In fact, in developing countries, the corruption problem was a necessary evil for economic development and was regarded as a lubricant for economic management. The social consciousness and practice of giving something has also become white corruption, which is sometimes rationalized as the so-called

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aesthetic and good morals. Corruption has thus spread like an endemic disease to politicians, bureaucrats, and all classes of society. Capitalism must move according to the invisible hand of profit creation and market economy principles, and companies must operate on the basis of accounting principles of cost and profit. Corruption is a strong deterrent and deterrent to economic development when bribery, express fees, and illegal lobbying funds are major variables in corporate management.

Considering the bankruptcy of large corporations, including Hanbo, the epitome of corruptions, it is too much of a structural black connection between the government, the police, the government, and some media to simply explain that it was a financial accident that occurred while companies pushed for excessive loans. Korea's large corporations are causing considerable problems because they have not been able to grow their own self-sustainability due to their close management of the economy. This is why responsibility and ethical management of large corporations are being raised. Last year, a ruling party lawmaker said, "It is unsightly for large corporations to invade the SME sector and alley commercial districts in a small domestic market even though they have huge capital. The tyranny of greed such as indiscriminate encroachment of commercial areas, reduction of supply prices, and technology takeover should disappear." In particular, we believe that expedient gifts and unfair support for related persons should be held accountable through commercial law or law enforcement. Above all, we believe that excessive tyranny of large corporations should be controlled by introducing a punitive damage compensation system or a class action system to guarantee the self-defense rights of consumers, small and medium-sized businesses, and non-regular workers.

Corporate ethics of large corporations is also said to lead to increased productivity. According to a study by American economists Scott Callen and Janet Thomas, out of 441 large corporations in the United States, companies that emphasize ethics and social contribution performed better financially than those that did not. This means that employees bring pride to a corporate culture that values social values as well as profits, and lead to increased work efficiency and customer satisfaction. Ethical management, transparent management, and social responsibility are important after all [1]

2. EXPERIMENT: PRECEDENT STUDIES

2.1. Literature review

In order to come up with practical measures for the joint growth of large corporations and cooperative SMEs in the past, the profit-sharing system is actually a method of degree management and ethical management. However, the high salaries of chairmen of large corporations, which were recently reported in the media, were enough to make the people feel despondent. Some companies are said to have received more than 30 billion won in annual salary, while others are said to have received more than 10 billion won in annual salary. Of course, what more would be said if the owners of large corporations who worked hard without sacrificing the interests of the company and its shareholders are paid? The purpose of the annual salary disclosure is ethical management, but if those who served in the prison receive tens of billions of won in annual salary, it is also likely to be criticized and incompatible with the management. In the event of embezzlement or breach of trust of company money, the government should seek ways to cut such high annual salary. However, if the company has superior management ability or high management performance, it is sufficient to receive high annual salary. At a time when the wind of economic democratization is raging, the people will not leave if such ugly behavior continues to betray corporate sentiment. Kim dong Chul said that he main purpose of this study is to analyze the case of Hankook Tire's ethical management system and implementation and to suggest the excellent

management strategy through ethical management. For these, this study analyzes about Hankook Tire's ethical management system (strategy, regulation and organization) and implementation (implementation system, CEO's will, major result and social contribution activities). According to case study result, it suggests improvements of Hankook Tire's ethical management and practical plans to spread to other companies [2]

Park jong gyeong said that This study pursues to raise awareness of the importance of ethical management and to draw implications for developing strategies and implementation of continuous ethical management by introducing the case of KOMIPO (Korea Midland Power Co., Ltd.). To do this, the concept of ethical management was reviewed and the ethical management systems and activities of KOMIPO were analyzed. In this study, ethical management is defined as the business activities in which a corporate balances stakeholders' interests as well as its economic interest in making decisions and gain respect and confidence from stakeholders. [3]

The Ministry of Strategy and Finance has adopted social values as an important agenda for state administration as a strategy to strengthen ethical management in public institutions. In order to compensate for the limitations of efficiency and growth, it focused on realizing social values such as win-win, cooperation, fairness, and protection of the socially underprivileged. The Ministry of Strategy and Finance emphasized public institutions that lead the realization of social values and emphasized the establishment of policies, implementation, and evaluation systems for public institutions that reflect social values. As the public demand for social values such as fair win-win was high, and unfair practices such as power abuse and employment irregularities became social issues, public concerns and demands for eradication were greatly expanded. The Ministry of Strategy and Finance newly established social value indicators such as win-win, cooperation, and ethical management to reflect efforts and achievements to realize fair and social values in the evaluation. [4]

2.2. Methodology.

This paper attempted to study the problems and implications of ethical management of chaebols and large corporations in Korean society. Therefore, I studied literature research and considered other government ethical management policies. This study mainly focused on literature research.

3. RESULT :ETHICS OF PUBLIC OFFICIALS

After liberation, Korea strengthened its export-oriented growth to escape material poverty and low production. With the diligence of the Korean people that it could do with technical support from advanced countries such as the United States, Japan, and Germany, it achieved compressed growth in the short term. Foreigners call this the miracle of the Han River. However, since the 1970s, various absurdities and illegal irregularities have been created behind the rapid economic development. In the policy process, means rationalized their purpose, and the issue of ethics as a whole society did not attract attention. Now, in order to establish an economic structure to enter advanced countries rather than an economic structure that escaped from underdeveloped countries, it is necessary to seek the reconstruction of the ethics and value system. In other words, ethical management is emerging as a key task. Moreover, as the 21st century enters, anti-corruption movements are intensifying, led by the World Economic Organization and advanced countries, and the launch of an anti-corruption round has resulted in the recognition that bribery prevention in international commerce and fair

production and competition by companies are necessary led by the United States. In particular, the international trend of pursuing a transparent economic system and fair competition is expected to accelerate further in the wake of the anti-corruption round. Now, in the international economic society, ethical management is considered the best entrepreneurial value and virtue of the 21st century, and corrupt companies and the state believe that their external competitiveness is weakened due to a decline in international credibility. In fact, given that corruption is the result of the Han's socio-cultural factors, it can be seen that the dominant view so far on Korean corporate culture, the way of thinking, values, and behavior and consciousness of the Korean people in the overall sense is negative. It is a cultural characteristic of Korean society that it has a strong compassionate and oriented factionalism rather than a Korean connectionism in which family ties are emphasized or rationality dominates. In addition, in Korea, in an economy of high economic growth, companies emphasize external expansion, and the social responsibility of large corporations is relatively insufficient. Despite the fact that large corporations have contributed greatly to the development of the national economy, political and economic collusion, tax evasion, foreign currency smuggling, and unfair subcontracting transactions have generated public distrust. Also, Korean companies are aware of international changes in ethical management, but they have not yet accepted it as an urgent reform task.

Recently, Lotte Group, one of Korea's top five conglomerates, has been struggling with power despite criticism and cynicism. When Lotte Chairman Shin Dong-ju's eldest son staged a coup d'état to regain his managerial control, his younger brother Shin Dong-bin immediately held a board meeting and retired his father, showing signs of family quarrels. Currently, Lotte Korea is one of the top five conglomerates with sales of 83 trillion won (approx. Lotte is a Japanese company where its founder Shin Kyuk-ho started a business with his bare hands. He grew into chewing gum and confectionery to the extent that he remembered chewing gum when he was young. With the support of the people and the government, Lotte has sparked a distribution myth such as confectionery service and has grown its appearance by expanding its businesses like octopus-style. Such companies are engaged in a bloody battle for management control.

In almost all chaebol groups, including Samsung, Hyundai, Doosan, Geumho Asiana, and Hyosung, not only Lotte Group, relatives and brothers watched the fight for property and management rights after the founder's death. The people are fighting regardless. The media clearly shows that the people do not know that they are cynical and criticized, criticize their parents and siblings, and file counter-lawsuit in front of money. In the case of foreign countries, advanced countries such as large companies in the United States and BMW in Germany support a clear principle that professional managers run companies rather than families. Families must have strict management skills and must be recognized by shareholders in order to participate in management. In the end, it is said that the family members and relatives of large corporations only have stocks and have a system that monitors not to wield personnel or accounting and financial rights at will. However, in Korea, the pre-modern kinship family management is still on the table. Reforming this is the first step in ethical management. To this end, it is necessary to remove the structural problems of transparency of ownership structure, separation of ownership and management, and circular investment. The special prosecutor's arrest of Samsung Group Vice Chairman Lee Jae-yong a few years ago has caused a great stir in Korea's business history, regardless of whether he is guilty or not. It is the first time that a Samsung chief has been arrested in Samsung's more than 80-year history, which began at the Samsung Chamber of Commerce and Industry in 1938. Samsung Group is Korea's largest company with 59 affiliates and sales of more than 271 trillion won (approx. Samsung Electronics, which is considered the darling of Korea's technology and innovation, can be

said to be Korea's beneficiary company, which is paying off its brand value no matter where it is put out in the world. Its image and trust of Samsung products have already surpassed that of Japan, and its customer satisfaction service provided by Samsung has had a reputation that no other company can match. Samsung is also famous for having invested boldly in technology development. It is said that Samsung Electronics' technology investment amounted to twice that of Apple in the U.S. in 2012. If it were not for then Chairman Lee Kun-hee's insight and decision, Samsung Electronics would not be able to develop into a global company like this. However, Samsung is facing its biggest challenge since the 1966 saccharine scandal.

It is true that Korea has a culture of treating politicians and businessmen as if they were guilty only by arresting them, and the prosecution has also made all-out efforts to arrest them. The court said in the prosecution's request for a warrant, "When combining the newly formed criminal charges and additional evidence collected, the reason and necessity of arrest are recognized." [5]

4. DISCUSSION

4-1. CORPORATE GOVERNANCE

Companies should take this opportunity to eradicate the link between politics and business instead of blaming the government's perception of power and coercion. They should break down the old remnants at the behest of the times: quality management, ethical management. Only then will economic justice be established. Countries around the world should ensure transparency in accounting, auditing and corporate governance in accordance with international anti-corruption practices. Samsung, the world's No. 1 company with sales of more than 40 trillion won (4 billion U.S. dollars), should not be penalized or discriminated against in international anti-corruption rounds and international bidding processes. Now, Samsung should raise awareness of anti-corruption by conducting ethical management in its home countries.

This requires corporate culture and innovation. [6]

4-2. ETHICAL MANAGEMENT SYSTEM

Additionally, an internal control mechanism must be established to demonstrate external political power. The board's approval of contributions worth more than 1 billion won or the attempt to withdraw from the Federation of Korean Industries and establish a new management system is highly appreciated. Additionally, by giving each Samsung affiliate autonomy, the Future Strategy Office and others the right to operate independently. People will hope chaebol continue to remain super enterprises not only in Korea but also in the world through technological innovation. We hope Korean conglomerates will also meet these expectations and see the need for early normalization.

It is necessary to secure an ethical management system corresponding to the size and position of a top company and to enhance social responsibility.

5. PROBLEMS

A hearing on irregularities in the Fifth Republic took place 28 years ago. Former President Chun Doo-hwan created a foundation for his work and raised money illegally from chaebols, and chaebol chairmen suffered from prosecutorial investigations. At the hearing, Hyundai Group Chairman Chung Ju-yung protested that he

paid money to live a comfortable life. Twenty-eight years later, another hearing on Choi Soon-sil's manipulation of state affairs took place. Companies that were robbed of nearly 80 billion won had a lot to say but declined to say anything. The appearance of hearings is not much different from the past. The committee was held to investigate corruptions between politics and business, but all leaders have denied the price. However, FKI Chairman Huh Chang-soo said, "It is a Korean reality that companies cannot refuse a request at the request of the government." LG Chairman Koo Bon-moo argued that he had no choice but to follow the government's policy. Samsung Vice Chairman Lee Jae-yong apologized for handing over the money to Choi Soon-sil and asked for forgiveness. "If there is any negative perception in the Future Strategy Office, we will get rid of it."

Korea's conglomerates have grown into global companies with their status on the global stage. The world is ridiculing such conglomerates as they are seen as daunted by the presidential office's power and despondent like military confidants. Foreign media around the world reported on the Choi Soon-sil hearings due to the state affairs manipulation scandal. The Associated Press said, "The heads of South Korea's conglomerates were subjected to public reckoning on live television shows." The AFP also said, "The heads who were reluctant to be exposed to the public were unrelenting in the hearing room for the first time in nearly 30 years," while Japan's Kyodo News and China's CCTV also reported on the hearing situation minute by minute. It is a problem as the backward chaebol management system is still established as a Korean corporate culture. It would not be a problem if large companies were to be honest and operate transparently, but they have many loopholes and weaknesses. Power is aiming at this trap. The power of the presidential office Cheong Wa Dae has the prosecution power. They send any corporations that are not obedient to them to prison immediately through anti-corruption circumstances. They put companies that are not compliant with the rhetoric. In previous administrations, chaebol owners went to prison on the edge of circumstances. The power of the presidential office Cheong Wa Dae also wields the power of tax audits. During the Kim Young-sam administration, Hyundai and POSCO were charged tens of billions of dollars for tax audits. Although the power was short, they went bankrupt if they decided. Under the Kim Dae Jung administration, the Shin-Dong-A Group was disbanded. In addition, Korea has the right to license officials. It pressures companies with the right to license. As such, companies have no choice but to cooperate with power. It begs for power half arbitrary and half involuntary. It is more than just blaming who the large companies humiliated and insulted at the hearing. Companies are also largely at fault. Until now, companies have tried to fix their systems, saying, "It's ethical management" and "accounting transparency." Recently, companies are also opposed to corporate tax hikes. But are you in favor of illegal fundraising in the nature of semi-taxes? Authority is bound to be accompanied by discretionary acts, and corruption is conceived through this exercise of discretion. In other words, corruption may occur due to the discretionary and arbitrary interpretation of ambiguous laws and regulations by public officials.

In particular, it is a fact that there is a lot of possibility of corruption due to administrative regulations and procedures such as bureaucratic regulation and permission for economic activity and people's life. The climate in which bribes are exchanged by public officials taking advantage of their discretion is a factor that lowers corporate competitiveness. In the past, the Association of CEOs of Multinational Companies in Korea also announced, "There are more than a few businessmen who will leave Korea if there is an opportunity." Even if

you try to build a factory, time passes and licensing is a car. The high-cost, low-efficiency structure of the economy is also derived from this. Companies and residents have to break through the web of government regulations, and in order to do so, they are tempted to appeal to an easy bribery attack. The problem is that there are too many bureaucrats with exclusive authority at each stage of regulation. When they demand bribes separately, the 'additional tax' borne by a company or person trying to do business snowball. If there are many regulations, systematic corruption structures such as reward and reward will be born. The problem is that even if corruption has the effect of reducing regulations, corrupt public officials create more regulations to offset them. Attempts by bureaucrats to expand their monopolistic authority naturally lead to the expansion of regulations. [7]

6. A POLICY ALTERNATIVES

Now, government power's interference with businesses and illegal extortion must be eliminated. Businessmen should also say no to power. To do so, the institutional system must be innovated.

First, chaebol and others should dismantle the FKI, which served as a window for illegal fundraising, and reestablish it as a policy research function, such as the Heritage Foundation and the Brookings Institute. Fortunately, Samsung will have to take this opportunity to change it.

Second, it is necessary to amend the law so that the President does not mobilize the prosecution power or the National Tax Service. The president should not have the right to appoint prosecutors. The Prosecution Personnel Committee, in which the women's community in the media and academia participates, should recommend a candidate for the prosecutor general in a multiple of 2-3 times. And they should be appointed from among those candidates. And the president must exercise his/her personnel rights. Only then will prosecutors be able to concentrate on the investigation without paying attention to the senior presidential secretary for civil affairs. Third, the National Tax Service or the Board of Audit and Inspection should be under the supervision of the National Assembly. The US Board of Audit and Inspection belongs to the National Assembly. The right to supervise tax audits should be given to the Board of Audit and Inspection to check tax audits. Although we recognize the contributions of large corporations to their functions and roles in Korea's compressed growth, it should not be too much. If the head of a large company does not have management leadership, he/she must hand it over to the manager himself and remain a major shareholder. What is important is that the system should be changed to transparently conduct ethical management. [8]

7. CONCLUSION

For corporate ethical management, an autonomous system of companies must be established.

In Korea, the authority of the government office is strong, so it has the right to regulate companies, and there is a culture in which companies neglect social responsibilities and blindly obey power. In other words, it is difficult to expect moral management due to the behavior of political and economic collusion. Bureaucrats are also conceived through the exercise of discretion. In other words, corruption may occur due to the discretionary and arbitrary interpretation of ambiguous laws and regulations by public officials. Third, there is no public official award for change and innovation. The top ranks of public officials should change first, but they only care about sectarianism and political power. You can't expect a clean lower body when the upper body is rotten. The public office environment should be changed to overflow with a new anticorruption culture and integrity culture. [9].

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For corporate social responsibility, companies themselves must change their perceptions through moral responsibility and ethical management. [10] Recently, We must think about corporate ESG issues and Problems. So international organizations and investment organizations have continuously deepened ESG concepts and evolved full and systematic information disclosure standards and performance evaluation methods toward three aspects of ESG to become a complete ESG ideology system. Major investment companies in the field also gradually launched ESG's investment products.[11]

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