“An Investigative Study of Confucian Humanism in the Development and Maintenance of Korean Business Groups”

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Thesis submitted in partial fulfilment of the requirements for the degree of Doctor of Business Administration.

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Foreword

This thesis has been prepared for submission in December 2008 to fulfil the requirements of the degree of Doctor of Business Administration (DBA) at Swinburne University of Technology, Melbourne, Australia.

The study is trans-temporal and cross-disciplinary, and crosses cultural and linguistic boundaries of the East Asian nations of Korea, Japan and Greater China, and deploys tri-lingual vocabulary and concepts.

Names of figures, places and events already popularised in the English language have been kept as in common use. Others have followed the international conventions of Romanisation as below:

For Korean, the McCune-Reischauer system\(^1\) has been used. In the quotation of other works the conventions used by original sources have been maintained, unless changes were considered imperative.

For Japanese, the Hepburn system\(^2\) has been used together with modification made to it by Kenkyusha’s new Japanese-English Dictionary, 3rd edition. In the quotation of other works, the conventions used by the original sources have been honoured, unless changes were considered necessary to maintain integrity of the texts.

For Chinese, the Wade-Giles system\(^3\) has been used and pinyin equivalents are shown where deemed necessary. In the quotation of other works, the conventions used by original sources have been used, unless changes were considered desirable.

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Abstract

This study on ‘Confucianism and Korean business groups’ is designed to examine Confucianism as a belief system and way of life in Korea in history and today, and how it influenced the birth and evolution of business groups.

This thesis contains no material which has been submitted for examination in any other course.

Confucianism is seen as a contiguous culture amongst the industrialised East Asian nations, namely, Korea, Japan and Greater China. The study explores how common or similar intellectual and cultural grounding influences for societal and economic ethics. The study also examines Confucian humanism and its ethical implications for business groups in Korea. Comparative examinations are also made, where possible and necessary, with the conglomerates of other East Asian nations, in particular those of Japan.

The main research question lies in two hypothesised questions:

(i) Does the foundation a ethics of Korean business groups derive from Confucianism and do their operating principles still remain anchored at the Confucian humanism?

(ii) Does Confucian humanism remain central to Korean business groups as the principal determinant of their global strategies and the underpinning of corporate governance?

Three elements of research strategy were deployed, namely (1) literature review, (2) focus group discussions and (3) documentation corroborations.

The literature reviewed been selected mostly from the scholarly works of Korea and other Confucian East Asian countries, and also from those of non-Asian international scholars.

Narrative data were obtained from the focus group discussions. Discussants were from the five functional groups on the level of senior managers of as many leading business groups. Discussants were selected from those with substantial interest in, or understanding of Confucianism. Those five occupational sectors represented are: 1)

Documentation was referenced as complementary to narrations and also as corroboration of what the focus groups expressed through unstructured discussions. Documentary sources were corporate internal documents public use, government or official publications, and media-based databases.

The study explores the origin of Confucianism and proceeds to examine how the Confucian philosophical tradition gave naissance to Confucian humanism as a living tradition. From Confucian humanism, the thesis proceeds to examine Confucian governance (ching shih) that remained the central theme of Confucian public service since the adoption of orthodox Confucianism as the state ideology of China and Korea, and governance of senior management of business groups in modern corporate context.

While the Confucian ideal of the ‘sagely sovereigns’ persists as an enduring governance model, complementary and alternative political views of more egalitarian inclinations, such as that of Mencius, also take up a good part of the governance theme.

The role of Confucian lifelong self-cultivation and education has been examined as the foundation of character-building and the reservoir of human capital for societal and corporate roles vis-à-vis knowledge-based industries, where business groups in Korea are focused.

As regards the modern context of Confucian governance, its interactions and accommodation of the modern democratic institution of global governance have been examined beyond its fertile demo-centric Confucian social ethos and egalitarian strand of Confucian tradition.

The study highlights the fact that the Confucian tradition of ‘humanity’ that Confucius and his disciples formulated in the Classical age has endured through the ages to modernity. The Confucian cosmology of the ‘human to nature’ nexus and the Confucian spirituality of cosmic immanence in the ‘self’ provide clues to the multi-layered structure of Confucian consciousness of self, selves and the greater self, namely society or the Heaven itself.
The Neo-Confucian school of ‘mind and heart’ learning reinforced the inquiry into selves in connection with nature and the universe. Religious tolerance and the adaptability of Confucianism have stood out as important qualities in the globalization of East Asian values and ethos, including those of Korean. The secularism and spirituality of Confucianism benefited from the peaceful co-existence amongst the three great philosophical traditions of Confucianism, Taoism and Buddhism, blessed as they are with very little inter-religious conflict throughout history.

The thesis, as an inquiry into Confucian humanism as a living tradition of extraordinary resilience as applied to the nascence and evolution of business groups, concludes by answering the main research question as expressed in its two associated hypotheses.
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Most of my sincere thanks are reserved for Mrs. ‘Heidi’ Han-Joo Cho Lee and ‘June’ Jee-Yoon Lee in Melbourne, Australia, as my direct family members. Dr. Cho, Kyong-Hee, Mrs. Cho, Eun-Jeong, Mr. Lee Chong-Dae, Mrs. Kim Chong-Ok, Mrs. Lee Chong-Hi and Lee Chang-Won in Korea never spared support. ‘Gus’ Franklin Kline as my business partner and dear friend and Ira Kline in St. Louis, MO., deserve a special salute for their support.

The unwavering love and sacrifices of family and support of dear friends made the progress to this stage worthwhile and spiritually rewarding.
Declaration

This thesis contains no material which has been submitted for examination in any other course or accepted for the award of any other degree of diploma in any university. To the best of the candidate’s knowledge and belief, it contains no material previously published or written except where due reference is made in the text. The content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program.

Calvin Chong Kun Lee

24th February, 2009
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Chapter One: Introduction

1.1 INTRODUCTION

This study is about Confucianism and its impact on Korean business groups’ development. The humanism as embedded and expressed in Confucianism or Confucian humanism is studied as the foundation for the ethics of the Korean firm, and also as the set of guiding principles of Korea’s globalizing conglomerates.

This study will attempt to determine whether or not Confucianism remains the core philosophy of Korea and Confucian humanism remains central to the ethics and performance of Korean business groups, and also as the guiding principle of strategies and governance.

The research approach in this study is consistent with the methodological principle and process of phenomenography, whereby developing phenomena are observed in terms of ‘relationality’ amongst actors, phenomena and attributes (Bowden & Green 2005, pp. 13-14).

The research will discuss the origin and evolution of Confucianism and Confucian humanism in relation to the ethical and governance ideals of Korean business groups. The groups are both economic drivers of the nation and globalization drivers as they branch out globally and extend their presence in many parts of the world (Pirie 2008, pp. 17-35).

1.1.1 Industrialised Confucian East-Asia and Korea

Despite overwhelming Westernisation accompanying industrialisation, there have been persistent and easily recognizable ‘habits of the mind and heart’ (Tu 2000)¹ both in the words and deeds of East Asians of Korea and Confucian neighbouring countries. These habits of mind and heart have influenced individual livelihood, social ethics, political governance and certainly conglomerates. Confucian thinking and behaviours expressing humanism assumed a pattern of intellectual embeddings, also known as the ‘Confucian DNA.’² Such expressions of humanism have always been at the forefront of the Confucian life-world, both individual and collective, in East Asia. These expressions and attributes have been reinforced in alliance with other belief systems such as Buddhism, Taoism and Christianity. As such, the theme of

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¹ Owing to the first use by Freud, the concept of ‘habits of mind and heart’ refers to psychological development and formation of familiarity through educational process.
Confucian humanism emerged in relation to conglomerates or chaeböls. Hence, this study examines the dynamic interplay of their intellectual, economic, corporate and social currents in relation to business groups.

This interplay is explored through trans-temporal, cross-cultural and inter-disciplinary discussion focussed around the origins and evolution of Confucian humanism. This study also discusses how the ethics of Korean business conglomerates derive from Confucianism, and also how their operating principles, global strategies and the underpinning of corporate governance remain critically in close relation to Confucian humanism. Such theme of enquiry has been encapsulated in the aforementioned main research question.

1.1.2 Aims
The aim of this study is to test the following two hypotheses:

Hypothesis 1:
That the ethics of Korean business conglomerates are derived from Confucianism and their operating principles remain anchored in Confucian humanism.

Hypothesis 2:
Confucian humanism remains central to Korean business conglomerates’ determination of their global strategies and corporate governance.

1.1.3 Rationale
The rationale for this study is based on the following three propositions:

- This study may help uncover the cultural and intellectual determinants behind the rise of conglomerated enterprises in Korea in contrast to the previous dominance of economic and political/profit paradigms.

- This study may help bridge prevailing dichotomies in the thoughts of global business studies regarding traditional/modern, the West/the East and the local/global, and help researchers move beyond them.
This study may help uncover why the conglomerates under the influence of Confucian tradition have been slow in developing fair and democratically governed institutions, in spite of its over-arching concern for humanity and civility.

1.2 ORIGIN AND EVOLUTION OF CONFUCIAN HUMANISM AS THE FOUNDATION ETHICS OF KOREAN CONGLOMERATES

In the interest of introducing the fundamental tenets of Confucianism that underpin the minds and hearts of business group founders and successors, the origin and evolution of Confucianism and its humanism are discussed in their essence as follows.

Confucianism as a living tradition owes its origin to Confucius as the primary progenitor and integrator of this enduring belief system in East Asia. Confucius himself, however, declined to take credit and stated that he is only a transmitter of the wisdom from the era of Chou Dynasty (ca 1122-256 B.C.E.). His teachings have been encapsulated in the *Analects* edited by the first disciples of Confucius. This work has heavily influenced the philosophy and moral values of East Asia and has become a cornerstone of Confucianism itself. Together with the other three volumes of the so-called ‘four books’ of Confucianism, it has become the first canon. Its teachings were underpinned by the central concept of Confucian ‘humanity.’ Upon this foundational concepts, the pillars of Confucian values have been built, including propriety, righteousness, loyalty and filial piety. The *Analects* comprises twenty chapters with a distinct topic for each chapter. Excerpts from these chapters have melted into the daily thoughts and narratives of East Asians. Frequent quotes continue to find their way into the domains of learning, thinking, rituals, propriety, aesthetics, social engagement and cosmology. Its antiquated expressions continue to preserve its integrity and have assumed renewed meanings as they communicate to the modern mind.

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3 Confucius (Kong Tzu: 551–479 B.C.E.) was a sagely Chinese thinker and social philosopher, and the progenitor of Confucianism. His teachings and philosophy which emphasised personal and governmental morality, correctness of social relationships, justice and sincerity have deeply influenced East Asian life and thought.


The Four Books are the Chinese classical texts that Zhu Xi selected in the Song dynasty, as an introduction to Confucianism. Each of these four books will be looked at in this literature review and referred to in the ensuing chapters.

5 *jen* (ren), translated as humanity and humanness.

6 *li* (propriety).

7 *yi* (righteousness).

8 *chung* (loyalty).

9 *hsiao* (filial piety).
Hence, 'the value of the human' in the Confucian context lies in the teachings of Confucius as reflected in the *Analects* itself (Tu 1985, pp. 67-80). The root metaphor in the Confucian classic of the *Analects* is the Way (*tao*). To understand and lead the Way, learning\(^{10}\) becomes the central pursuit in life. This learning is not just to acquire more knowledge. It is rather a way to be truly human. One is also encouraged to study poetry,\(^{11}\) since this is considered a necessary means of communicating in a civilized world and forms a ritual\(^{12}\) in order to internalize day-to-day life events characteristic of one's particular community. Learning, hence, becomes a process whereby one enriches oneself, elevates one’s character, and also refines one’s wisdom so that one can be considerate of others and remain true to oneself.

Following the lead of Confucius’ teaching of ‘humanity,’ Mencius\(^{13}\) led the teaching of the cultivation of heart by making our desires few, but without any imposition of asceticism. Mencius emphasised that the basic bodily and metaphysical needs of all human beings should be recognized and met to a reasonable degree. Mencius indeed stressed the duty of the political leadership to meet the needs of the people for sustenance before educating them. Such prioritization on the basic needs of living ahead of the Confucian aspiration for a holistic moral society made up of many learned people remains a significant philosophical and sociological pillar of the Confucian worldview and its secularism.

Confucian political ideology (Hsiao 1979, pp. 79-142) is from two key concepts, namely 1) ‘following the idealistic governance practices of Chou’\(^{14}\) and 2) ‘rectification of names.’\(^{15}\) Confucius was reasonably satisfied with the style of governance of the Chou policy and found its political embodiment of social and political ethics compatible with Confucian ideals. The political preference of Confucius was to maintain and nurture good political ethics as a tradition, and he was not inclined to generate revolution through a new political ideology that would probably involve violence and social insecurity.

The rectifying of one’s names implies that, should every citizen bear the responsibility of acting in accordance with the natural principle that defines his or her social position, then there would always be harmony. ‘Let the ruler be ruler, the minister minister, the father father and the son

\(^{10}\) hak (learning: Korean), *hsüeh* (learning: Chinese).

\(^{11}\) si (poetry: Korean), *shih* (poetry: Chinese).


\(^{13}\) Mencius (Meng Zi: ca. 372–289 B.C.E.). A Chinese philosopher and follower of Confucianism who argued that humans are naturally moral beings but are corrupted by society.

\(^{14}\) Chou Dynasty (1050-256 B.C.E.).

son.’ Name rectification implies that Confucius placed strong emphasis on the orderliness of the political and social hierarchy for the common good of society.

These two ideological pillars as mentioned above support the government through the four instruments, namely, ‘virtue, rites, politics, and punishments.’ In turn, these four instruments make government run smoothly and in an ethically acceptable manner through the deployment of the three desirable strategies, namely, ‘nourish, teach and govern.’ This political ideology is an embodiment of the foundational virtues of the Confucian teachings encapsulated in ‘humanity, righteousness, rite and wisdom’. This also broadly defines humanism in the Confucian context, while ‘humanity’ remains at the core of his teachings and political ideology.

Confucian humanism begins with genuine knowledge of the self and self-cultivation (Tu 1985b). Such self-knowledge implies simultaneously to perfect oneself and a transforming act upon the self, and also to shape and create. This Confucian perception of self-knowledge and cultivation has been ingrained in the humanism of East Asians.

Parallel to the four virtues, each human being is endowed with a set of inherent moral senses known in Confucian terminology as the four basic human feelings (or beginnings). These are commiseration, shame and dislike, deference and compliance, and right and wrong (Mencius 1970). These four human ‘feelings’ (or ‘beginnings’) are to be cultivated and perfected into the four virtues, which become the cornerstone of humanism.

Moral universality assumes a twofold significance. The first part of the significance lies in the fact that all humans are fundamentally moral with a self-perfecting potential. The second part of the significance comes from the fact that all humans are inescapably biological, psychological and social. Hence, in order to realize themselves, all humans must gain knowledge of how to overcome their limitations and to turn them into instruments of service in the interest of self-development. The ethos of empathy is also an important aspect of Confucian humanism, as emphasised in the teachings of Mencius to the effect that if we could fully extend the common experience of feeling unable to bear the sufferings of others, our humanity would become inexhaustibly abundant (Min 2000).

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16 te (virtue), li (rites), cheng (politics), hsing (punishments).
As indicated above, the Confucian worldview and governance have been formed by Confucian humanity and its humanism, and have become integral to the habits of the minds and hearts of business group founders and successors. Confucian business founders sought to achieve realisation of Confucian ideals beyond financial success. Such idealism affected how governance and strategies are formulated, and also how to respond to the ethical challenges the business founders encounter in the course of managing their business.

1.3 RESEARCH STRATEGY

1.3.1 Research Elements
In addressing the research hypotheses that (1) the foundational ethics of chaebŏls or Korean business conglomerates are derived from Confucianism and that their operating principles remain anchored in Confucian humanism, and (2) Confucian humanism remains central to the chaebŏls as the key determinant of their global strategies and corporate governance, the three research methodological elements that have been used in the research strategy are literature review, narration and documentary data. As mentioned earlier, this research approach is broadly consistent with the methodological principles and processes of phenomenography. This approach helps an understanding of what and how the phenomena constitute in terms of ‘relationality.’ This relationality provides a critical interplay amongst actors, the phenomena and the attributes of both (Bowden & Green 2005). More details on phenomenography appear in Chapter Four together with Diagram 4.1.

The first element is the Literature Review. This comprises a review of the current and past scholarly works considered to be of importance and closely related to the topic. The articles are selected from works by the scholars of Korea, Japan and Sinic nations, and also those by non-Asian international scholars.

The second element is Narrational Data. This is based on the discussions among ‘focus groups’ that met in small assemblages of three to five persons to discuss the topics around Confucian humanism and its impact on conglomerates. The ‘four leading’ and ‘ten associated’ questions in Table 1.1 have been provided so as to trigger the unstructured free discussions in the focus groups.

Discussants have been selected from five leading Korean conglomerates represented across five functional areas; 1) strategic planning, 2) regional divisions, 3) research and development,
4) enterprise union, and 5) investor relations. Selection was made with the understanding that these senior employees were representative of the selected organisations across broad functional areas.

Table 1.1 Focus Group Themes and Questions

<table>
<thead>
<tr>
<th>Four Themes and Ten Questions to trigger the ‘Unstructured Discussions’:</th>
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<tbody>
<tr>
<td><strong>Theme I: Confucianism as Foundational Ethics of Korean Business Groups</strong></td>
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<tr>
<td>Question I-1: Is the ideal pursued by the business group founders based on Confucianism?</td>
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<tr>
<td>Question I-2: Do the Confucian ethics or ethos apply to the business groups to state relationship?</td>
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<td><strong>Theme II: Confucianism as Current Management Ethics</strong></td>
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<tr>
<td>Question II-1: Does the Confucian ethic or value system continue to play an important role with in the current management?</td>
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<tr>
<td>Question II-2: Is Confucian ethics conducive to a peaceful labour-to-enterprise relationship?</td>
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<td>Question II-3: Have Korean business groups outgrown the unfair advantages of preferential access to capital and protective trade policies?</td>
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<td><strong>Theme III: Confucianism as Global Strategic Advantage</strong></td>
</tr>
<tr>
<td>Question III-1: Does the Confucian tradition of self-cultivation and life-long education contribute to creation of firm knowledge on every level?</td>
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<tr>
<td>Question III-2: Does the knowledge creation nurtured by Confucian ethics constitute a strategic advantage, such as fostering gains in intellectual property?</td>
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<td><strong>Theme IV: Confucian Humanism nurtures Global Corporate Citizenship</strong></td>
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<tr>
<td>Question IV-1: Is the Confucian family-oriented ‘ownership-to-management’ structure evolving to be a globally compatible governance model?</td>
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<tr>
<td>Question IV-2: Has globalization of the firm brought a fundamental change to the traditions of the Confucian business ethics or ethos?</td>
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<tr>
<td>Question IV-3: Does the Confucian belief in the unity of humans-to-nature contribute to enterprise ethics in their support of global ecology and environment?</td>
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The third element is Documentary Data. This comprised the collection and examination of documents that were available in the public domain. The public documents are related to the five business groups, but not to the specific companies of the participants. Collection for each target business group and related institutions included 1) company documents such as annual reports, 2) association and governmental documents such as industry reports, 3) union documents such as annual reports and 4) media releases. No reference was made to the participant’s company to ensure anonymity. This part of the document analysis covered the three major periods of changes, namely, the first period covering the Korean business groups
foundation through formation into conglomerates (up to the 1970s), the second period spanning the pre-Asian financial crisis growth period. Documents Confucian sagely writings were also collected and examined, including writings of the state authorities, scholarly and philosophical writings, historical narration, biographic records and writings of current and past leaders, and articles focussed on Confucian traditions and other belief systems. These documentary supports will be deployed as complements to and corroborations of narrative data in Chapter Three.

In order to further complement the above three research elements, appendices are provided at the end of the thesis. A Chronology, a Glossary and a Biographic Digest are appended among others including ‘Chronology’ chronicles of major eras and events. The ‘Glossary’ lists the diverse Korean, Japanese and Chinese vocabulary terms and their meanings. The ‘Biographic Digest’ presents a brief introduction to those figures whose ideas or statements are quoted in this study.

1.4 ROADMAP OF THESIS AND TIMELINE

1.4.1 Roadmap
This chapter, namely Chapter One, is a chapter which introduces the thesis and providing an overview of the thesis, including the main research question, aims, rationale and research strategy.

Chapters Two and Three comprise the literature reviews, on both Confucian humanism and business groups, that examine the scholarly works of the past and present and of Korean and Confucian East Asian as well as international authors. The literature review follows the theme of the research question and also broadly follows the temporal sequence of those ideas and occurrences covered under the review.

Chapter Four covers the Research Strategy that encompasses methodology deployed and the ways how the data of both narrative and documentary are collected and assembled.

Chapter Five incorporates data analysis. It will present the narrative data of ‘focus group’ discussions undertaken in the field of the research area, namely, Korea, Australia and other key international sites, where necessary. The narrative data comes with the support of documentary corroborations that complement the oral data.
Chapter Six provides interpretation and results of the narrative data including summaries. Through such analysis and interpretation, this chapter will explore the extent to which the results answer the main research question and its three postulates.

Chapter Seven, also the final chapter, provides the conclusion which synthesizes the outcomes by relating them to the objectives, the literature review and the analysis of the discussant’s views on the subject.

1.4.2 Timeline
The research tasks followed the timeline as outlined below:

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1.5 SUMMARY

This introductory chapter discussed the variables and concepts in the thesis. The introduction discussed the main research question built around two hypotheses, and the relevance of such research has been discussed as the rationale of the study. It also covered how the study has been conducted, including research strategy. The research strategy included explanation on the three elements of research methods, namely, literature review, focus group discussions and documentation corroborations. Discussion on research strategy covered its underlying methodological principle of phenomenography. There has been a brief discussion as to how the main theme of Confucian humanism emerged and became embedded as the intellectual pillars of business group ethics in Korea. Roadmap and timeline of research have been provided. With this introduction to the thesis, discussions now move to the second chapter on the origin and evolution of Confucian humanism in order to explore how such humanism became ethical basis of Korean business groups.
Chapter Two

Origin and Evolution of Confucian Humanism

2.1 INTRODUCTION

The literature review is covered over two chapters. This chapter covers the origin and evolution of Confucianism and the emergence of what is termed Confucian humanism. Chapter Three will relate to the formation and evolution of business groups, and how they perceived Confucian ethics in their management of business.

Separation of literature into two parts was considered desirable as Confucianism spans over two millennia and a half, involving momentous changes and/or reformations, whereas business groups as economic entities are relatively modern phenomena, with the oldest business groups appearing three centuries ago in East Asia. The first part is a history of Confucian ethical development and the second part is the application of the ethical standards to economic engagement.

Confucianism is not a monolithic belief system. Confucianism since its birth in the sixth century B.C.E. has undergone a long and complex process of evolution that includes contrarian or egalitarian schools of thoughts in contrast to the orthodox or so-called mainstream Confucian scholarship and officialdom. Hence, this literature review traces the evolutionary process of Confucianism including major epochal periods such as Neo-Confucian reformation of eleventh through sixteenth centuries. The next era is that of Practical Learning\(^1\) of seventeenth through nineteenth centuries that occurred with influences from the West mainly through Christian missionaries and European trade.

Thus the literature review will begin with the birth of Confucianism, and how Confucius (551–479 B.C.E.) as the founder started this belief system and way of life. Discussion will continue to be on the emergence of Confucian humanism as an enduring attribute of the tradition. Discussion will touch upon how the Confucian belief system became the state ideology of East Asia as early as the first century B.C.E., surviving through to the nineteenth century. The next part of the

\(^1\) Practical or Real Learning is a transliteration of Sirhak (Korean) or jitsugaku (Japanese).
discussion is on governance in the Confucian context and relates not only to an external framework of compliance but also to a continuum of self as a member both of biological family and that of societal family at large.

This part of the literature review, as indicated above, will follow a broad theme of how Confucian humanism impacts on Korean business practices and is reflected in the Confucian worldviews of business groups and their leaders within the context of how Confucians would perceive their idealized society, namely, ‘Confucian social imaginary’ (Taylor 2007, pp. 159ff).

The following part of the literature review will discuss the foundational concepts of Confucianism as a belief system and way of life as they relate to modern Korean individual, corporate and national levels. Discussions will cover the origin and evolution of the Confucian tradition as the belief system centred on the main strands of ideas and key figures as summarised below.

2.1.1 Main Strands of Confucian Ideas and Key Figures

Confucius (551-479 B.C.E.), as the founder of the Confucian tradition and the proponent of the key moral concept of humanity, remains the central figure. Mencius (ca. 372-289 B.C.E.) further developed the moral core of Confucian humanity to social equilibrium through demo-centric governance ideals. Tung, Chung-shu (ca. 195-115 B.C.E.), the Confucian scholar-official and the prime minister of the Former Han Dynasty (206 B.C.E.-8 C.E.), introduced yin yang cosmology into a Confucian ethical framework and succeeded in converting the Han Dynasty to Confucianism as the official state ideology. After a millennium of Confucian state ideology and orthodoxy, a major reformation called Neo-Confucianism occurred from the eleventh century through Chang Tsai (1020-1077). Neo-Confucian orthodoxy was consummated by Chu Hsi (1130–1200) who re-wrote Confucian Classics and commentaries suited to contemporary societal circumstances and re-established Confucian state ideology and its orthodoxy throughout Confucian East Asia. Wang Yang-ming (1472-1529), a major opponent of Chu Hsi’s orthodoxy, started a separate tradition of the Yang-ming school of ‘mind and heart’ which was most influential in Japan in terms of providing latitude of opportunities to commoners. A branch of Neo-Confucianism called the School of the Practical Learning emerged in the sixteenth century through interaction with the West on such subjects as Catholicism and science. The School of Practical Learning became a precursor of modernity and industrialisation of East Asia.
In the following sections the development of the Confucian and Neo-Confucian ideals are discussed.

### 2.2 CONFUCIANISM

The foundational work by the first disciples of Confucius is contained in the *Analects*. This work has heavily influenced the philosophy and moral values of East Asia and has become a cornerstone of Confucianism itself. Together with the other three volumes of the so-called ‘four books’ (Legge 1960/1970) of Confucianism, it has become the first canon. Its teachings are underpinned by the central concept of Confucian ‘humanity’. On this foundational concept, the pillars of Confucian values have been built, including propriety, righteousness, loyalty and filial piety. These moral attributes survive today in the conduct of East Asians both as individuals and in business.

This review has examined the *Analects* in the original text, and the accompanying commentaries and interpretations. This examination has utilised Legge’s translation and also a contemporary interpretation by Hall and Ames in their co-authored book, *Thinking through Confucius* (Hall & Ames 1987).

The *Analects* is comprised of twenty chapters each dealing with a distinct topic. Excerpts from these chapters are found in the daily thoughts and narratives of East Asians. Frequent quotes continue to find their way into the domains of learning, thinking, rituals, propriety, aesthetics, social engagement and cosmology. Its antiquated expressions continue to preserve its integrity and have assumed renewed meanings as they communicate to the modern mind (Hall & Ames 1987, pp. 11-27).

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2 *The Analects* is the principal canon of Confucianism covering teachings of Confucius, edited by his disciples.
3 *jen* (ren), translated as humanity and humanness.
4 *li*: referred in Appendix 2 (Glossary).
8 Legge, James (1815-1897), Scottish Congregationalist missionary to China and a Sinologist.
9 David L. Hall was a professor of philosophy at the University of Texas at El Paso.
10 Roger T. Ames is a professor of Chinese philosophy at the University of Hawaii and the editor of the journal *Philosophy East and West*. 
Hall as a systematic philosophical theologian and Ames as a Sinologist shed light on the philosophical and psychological background behind the birth of the Analects. Hall and Ames refer to the Confucian ‘immanent cosmos’ in contrast to the ‘transcendence’ of cosmic beings commonly perceived in the philosophical tradition of the West. They also refer to ‘conceptual polarity’, namely, *yin* and *yang* (Hall & Ames 1987, p. 13). The scholars have substantially contributed towards a better understanding as to where the Confucian themes diverge from those of the West.

The Analects edited by the disciples of Confucius indicates that self-governance and societal moral teachings of Confucius does not originate from him, but a continuation of an intellectual tradition preceding him. Prominent among the pre-Confucius scholar-officials in the preceding century, was *Kuan Chung* or *Kuan Tzu*.11 He was a major political and moral thinker, and was the governor of *Ch'i* Dynasty (circa 770-221 B.C.E.). Such continuation of intellectual tradition greatly benefited from the contributions of Confucius in launching a major new intellectual tradition beyond the preceding one.

2.2.1 Collective Intentionality
A group of social philosophers namely, Searle, Bratman, Gilbert and Tuomela have discussed the concept of collective intentionality (Searle 1983). This concept could contribute to shedding light on the intellectual underpinning of Confucian way of thought. Collective intentionality does not imply that the collectivisation of individual intentions is subservient to society at large. Collective intentionality is about how individual intentions would evolve into communal interest under the influence of self-realization, common ethics and shared social goals. In parallel to the social capital concept of communal trust as the building block of civil society, such structure of thought provides useful intellectual support in understanding the construction of social reality (Searle 1995).

Searle discusses ‘the building blocks of social reality’ and notions of ‘collective intention and belief.’ Bratman in turn discusses in his *Faces of Intention* (Bratman 1999) how ‘shared social agency’ evolves in its acceptance, and through shared cooperative activity, it matures into stability. Tuomela (1995) reinforces the importance of perceiving the collective identity of ‘us.’

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11 *Kuan Chung* (*Kuan Tzu*: d. 645 B.C.E.). He was prime minister of the state of *Ch'i* (circa 770-221) and he is regarded as one of the three patriarchs of Tao with Lao tzu.
Wray (2001) explains how ethical norms, tasks and ‘we’-attitudes bring about collectively intentional joint actions. When such a social process nurtures collective beliefs, it will also lead to a positive social dynamic working in the collective interest based on common human dignity, rights and duties, and also the ethical sharing of limited economic resources in the collective interest.

The concept of collective intentionality helps explain how Confucian society comes to crystallize its ethical, psychological and political framework, since it helps explain the motivation behind the design of the Confucian moral and political framework. Through formation of shared ideas common to Confucian humanism, its holistic collective interest supports both individual and collective wills without prejudicing one against the other. They would also determine the roles of agency by key actors and how they would interact with time as a factor. In other words, collective intentionality helps define a process through which to construct social reality, to recognise us, to crystallise collective belief without collectivisation and to arrive at collective acceptance as a basis for social norms and societal dynamics.

2.2.2 The Contributions of the Korean Neo-Confucian T’oegye
As briefly mentioned in Chapter One, T’oegye (1501-1570) was a leading Neo-Confucian scholar of the Yi Dynasty in Korea. He was unique in terms of, firstly, summarizing the orthodox Neo-Confucian works of Chinese origin, the scholarly leaders of China,12 then applying their concepts and frameworks to the intellectual and social circumstances of Korea. He represents the orthodox Neo-Confucian tradition of Korea, and his repute in this regard remains undisputed. Further to his role as the court scholar responsible for holistic education of the crown princes, both in Confucian ethics and governance on personal and statecraft levels, his teachings are also followed by business groups and as a guide for governance of their businesses impacting on society as a whole.

In 1999, Yun (1990), a leading contemporary Neo-Confucian scholar from modern Korea, and de Bary (1989, pp. 54-70), introduced and summarized the thoughts and works of T’oegye’s magnum opus on Korean Confucianism. Writing in the sixteenth century, T’oegye employed the

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12 The most noteworthy scholars of early Chinese Neo-Confucianism are Chou Tun-i (1017-1073), Chang Tsai (1020-1077) Ch’eng Hao (1032-1083), Ch’eng I (1033-1108) and Chu Hsi (1130-1200). They are also quoted in the works of T’oegye and other Korean and Japanese Neo-Confucian students.
Ten Diagrams on Sage Learning as a program of comprehensive self-cultivation for the young King Sŏnjo (who reigned from 1567 through to 1608) and also as an ongoing reminder throughout his kingship. The teachings of the Ten Diagrams were based on Neo-Confucian ethics and its new metaphysical foundation. This edition by T'oegye was prompted by the earlier works of Chang Tsai and his Western Inscription (Kasoff 1984), but the greatest influence came from Chu Hsi (1130–1200), the central figure in China of the Neo-Confucianism era. The importance of this development was that Confucian ethics was placed on a new foundation of 'humanity,' weaving a new pattern of meanings and a framework of governance drawn from the old classical Confucian moral tenets. They offered, in a way, an objective norm or standard to the subjective judgments of the ruler and the ruled.

New heights were reached in the philosophical and ethical spheres of Neo-Confucianism during the Yi Dynasty (1392-1910) in Korea. On the other hand, political aspects of concentration and the dominance of Neo-Confucian intellectual power in the Korean court offered a stage for intensive conflicts among those of different views on Confucian interpretation and also adherents of other belief systems. Notably, incessant factionalism was prevalent amongst Neo-Confucian elite groups either in government or in scholarly circles. With such divisive philosophical approaches impacting on political and economic interests, practical consequences meant often outright atrocities inflicted upon opposition groups.  

2.2.3 Self-cultivation and Humanism

Tu's (1985a) article on 'the value of the human' in classical Confucian thought discusses how humans are at the centre of discussion on values in the teachings of Confucius as reflected in the Analects. He argues that the root metaphor in the Analects is the Way (tao). To understand and lead the Way, learning becomes the central pursuit in life. This learning is not just to acquire more knowledge. It is rather a way to be truly human. One is also encouraged to study poetry since this is considered a necessary means of communicating in a civilized world, and forms a ritual in order to internalise day-to-day life events characteristic of one's particular community. Learning hence becomes a process whereby one enriches oneself, elevates one’s character, and also refines one’s wisdom so that one can be considerate of others and remain

13 sa hwa (literati purge).
14 hak (learning: Korean), hsüeh (learning: Chinese).
15 si (poetry: Korean), Shih (poetry: Chinese).
16 ye (ritual: Korean), li (ritual: Chinese).
true to oneself. This aesthetic aspect of Confucian cultivation has its resonance with corporate application of common Confucian culture in the design and marketing of products within contiguous nations sharing the same heritage.

The teaching of Mencius (ca. 372–289 B.C.E.) is significant in emphasising the cultivation of the heart. He taught that one should strive to lessen one’s desires without any imposition of asceticism. The implications of Mencius’ teachings are that the basic bodily needs of all human beings additional to any metaphysical quest should be recognized and met to a reasonable degree. Mencius stressed that the duty of the political leadership is to meet the sustenance needs of the people before educating them. Such prioritization on the basic needs of living ahead of the Confucian aspiration for a holistic moral society comprised of many learned people remains a significant philosophical and sociological pillar of the Confucian worldview.

2.3 CONFUCIAN HUMANISM

2.3.1 Confucian Humanity

Hsiao (1979) in his book chapter on the political thoughts of Confucius opened that the departure points of Confucian political ideology are drawn from two key concepts, namely 1) ‘following Chou’ and 2) ‘rectification of names.’ Following in the political footsteps of the Chou Dynasty implies that Confucius was reasonably satisfied with the style of governance of the Chou sovereign and found its political embodiment of social and political ethics compatible with Confucian ideals. The political preference of Confucius was to maintain and nurture a good political ethic as a tradition, and he was not inclined to generate revolution through a new political ideology that would probably involve violence and social insecurity.

The rectifying of one’s names implies that, should every citizen bear the responsibility of acting in accordance with the natural principle that defines his or her social position, then there would always be harmony. ‘Let the ruler be ruler, the minister minister, the father father and the son son’. Name rectification implies that Confucius placed a particular emphasis on the orderliness of the political and social hierarchy for the common good of society.

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17 Chou Dynasty (1050-256 B.C.E.)
These two ideological pillars as mentioned above support the government through the four instruments, namely 'virtue, rites, politics, and punishments.'\textsuperscript{19} In turn, these four instruments make government run smoothly and in an ethically acceptable manner through deployment of the three desirable strategies, namely 'nourish, teach and govern.'

This political ideology is an embodiment of the foundational virtues of the Confucian teachings encapsulated in ‘humanity, righteousness, rite and wisdom’.\textsuperscript{20} This also broadly defines humanism in the Confucian context, while ‘humanity’ remains at the core of his teachings and political ideology.

Tu (1985b) in his article states that Confucian humanism begins with genuine knowledge of the self and self-cultivation. Such self-knowledge implies simultaneously a striving to perfect oneself and a transforming act upon the self, and also to shape and create. This Confucian perception of self-knowledge and cultivation has been generally ingrained in the humanism of East Asians.

Parallel to the four virtues, each human being is endowed with a set of inherent moral senses known in Confucian terminology as the four basic human ‘feelings’ (or ‘beginnings’). These are ‘commiseration,’ ‘shame and dislike,’ ‘deference and compliance,’ and ‘right and wrong.’ These four human ‘feelings’ (or ‘beginnings’) are to be cultivated and perfected into the four virtues, which become the cornerstone of humanism (Mencius 1970).

As such, moral universality assumes a twofold significance. The first point lies in the fact that all humans are fundamentally moral with a self-perfecting potential. The second derives from the fact that all humans are inescapably biological, psychological and social. Hence, in order to realize themselves, all humans must gain knowledge of how to overcome their limitations and to turn them into instruments of service in the interest of self-development. The ethos of empathy constitutes an important aspect of Confucian humanism. Mencius emphasised that social constituents, both the ruling and the ruled, can benefit and enrich social wellbeing, sharing a common sense of the sufferings of each another (Mencius 1970).

\textsuperscript{19} \textit{te} (virtue), \textit{li} (rites), \textit{cheng} (politics), \textit{hsing} (punishments).
\textsuperscript{20} \textit{jen} (humanity), \textit{i} (righteousness), \textit{li} (rite), \textit{chih} (wisdom).
2.3.2 Mencian Humanism and Governance Ideals

Mencius built on the ethical foundation of ‘humanity’ as taught by Confucius. He, however, expanded it substantially so that it had practical applications with regard to personal lives, filial piety in the family, service as servant-officials, the centrality of people’s well-being and the legitimate political governance of sovereigns. While he is highly and rightly acclaimed as the protagonist of human centrism (Min 2000), he also became one of the reference points for the moral legitimacy of certain major political decisions, at times related to rebellion or acts of war (Tucker 1997). His philosophical works, active social participation and political consultations left indelible marks on such diverse topics such as self-realization, education, ethical economic policy with primacy given to popular sustenance, and human centrality at the very origins and foundations of political power.

While Confucius implicitly disapproved of any rebellion or political revolution, Mencius chose to differ. Mencius was against any resort to violence or rebellion as a political means, but clearly supported having to allow popular opposition in the case of incorrigible rulers. Mencius continues to provide a philosophical base for contemporary human rights thinkers and economic ethicists within the Classical Confucian tradition.

Mencius taught the four virtues to be the basis of moral foundation. These apply to all levels of personal and social relationships from individuals up to the sovereign. The four virtues are ‘humanity (or benevolence), righteousness, rite (or propriety) and wisdom (or knowledge).’21 These virtues, Mencius believed and taught, originate from the innermost epicentre of the human soul. They are seen as the fruition in deeds of every human’s innate sense of ‘commiseration, shame, respect and right and wrong.’ This belief is based on the assumption that the benevolent mind is something common to all and all humans are fundamentally born with moral goodness (Kim, JY 2001).

Extending from personal moral practice to forming a sense of unity with the universe one is born into, Mencian ideology also upheld the unity between heaven and humans (Lim 1999). This sense of unity has no boundary in scale as one is relating to being filial to one’s parents, loyal to the state, and also in serving the world and being gentle to nature. Mencius considered

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21 Min, Hwang Ki 2000, Op. Cit., ‘jen’ (humanity), i (righteousness), li (rite), chih (wisdom)’
self-cultivation, meaning lifelong pursuit of self-improvement, as a way to be followed, as it would enable people to elevate themselves to an ethical and harmonious plateau, finding themselves at peace with this sense of unity between themselves and the moral universe (Kim 1995).

Mencius’ teachings, encapsulated in his Seven Books, reflected his concern for people’s livelihood, lightening the burden of taxes and avoiding wars and conflicts. Mencius also encouraged the thinking that sovereigns should ‘let the people share the same pleasures as his own’ (Legge 1970). This has been politically idealised and often quoted in current politics as the ‘bliss of sharing happiness with the populace’. Mencius, coming from the perspective of his primary interest in the importance of the people, also discussed the duties of the servant-officials, in that they were at the service of the people, shouldering the responsibility on behalf of sovereigns to deliver on the sovereigns’ commitment to the well-being of the people. Hence, they bear their ultimate accountability to the people through the medium of sovereign rule. On the essentials of his concept of nourishing the people, Mencius tirelessly reiterated and expanded his views. But he usually treated the subject of teaching the people as something subsidiary to nourishing the people, and set that forth only in its larger outlines (Xiao 1998).

As to why Mencius needed to discuss the theory of the ‘importance of the people’ as such a high priority, we can note that in his time the dynasties of Wei and Ch’i were struggling for political supremacy, while the influence of the Ch’in was just beginning its ascent to future greatness. In the midst of these great contests for power, the feeding of the people had to be regarded as the first principle of government.

But the Mencian principle of respect for the people went beyond sustenance and well-being. He also advocated the importance of the people’s opinions. He felt that popular consensus on repudiating a particular rulership should be the ultimate point for considering a change of power, or for choosing or abandoning any government policy (Kim, JY 2001).

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22 The Works of Mencius: Book 1, King Hui of Liang, part II, p. 151. “When a ruler rejoices in the joy of his people, they also rejoice in his joy; when he grieves in the sorrow of his people, they also grieve at his sorrow. A common bond of joy will pervade the kingdom; a common bond of sorrow will do the same.”

23 yŏmin dongnak (Korean), (bliss of sharing happiness with populace).

24 min kuei lun (importance of the people).
While the ideas held by Mencius could become equivalent to the notion of the people’s sovereignty, they fall short of a working democracy as understood in the modern context. Mencian demo-centrism meant ‘for the people’ and perhaps ‘of the people.’ It certainly did not mean ‘by the people.’ The opinion of the people was capable only of passive manifestation, while political authority was to be exercised exclusively by those who also had superior knowledge. If the sovereign defaults to an intolerable degree, the people had no other choice but to wait for heaven’s medium to undo tyrannical sovereignty. The struggle to search for working institutions in the service of the people in accordance with Mencian ideals did not begin in earnest during the time of Mencius (Xiao 1998, pp. 159-161).

The ethical teachings of Mencius point to the use of ‘rites’ as the correct and desirable means of governance (Cho 1992). However, the teachings of Mencius also left doors wide open to diverse interpretations. There were repeated references made to Mencian teachings at times of historical significance.

The motivation behind the sagely teachings would reflect different historical periods, each period generating a different impact and perspective. While the teachings of Mencius represent the cornerstone of Confucian humanism in action, the breadth, diversity and pliability of his teachings evidently present substantial challenges, unless they are understood and applied in the proper context.

2.3.3 Chung-Yung (The Doctrine of the Mean): ‘Superior Personhood, Community of Trust and Sincerity’

Chung Yung (Doctrines of the Mean) (Legge 1960) constitutes an integral work in the Confucian tradition. It is said to be a composition by Confucius’ grandson, Tzu Ssu (ca. 483-402 B.C.E.).25 The Doctrine of the Mean is one of the four Confucian canonical books, and came from the Records of Rites, as did the Great Learning. Its title is translated into English in various ways, such as the mean, the constant mean,26 the middle way,27 the middle use,28 the common centrality29 and the unwobbling pivot or the pivot.30

25 Tzu Ssu (Zisi,Kong Ji).
26 as translated by Legge, James.
28 as translated by Leys, Simon (b. 1935).
29 as translated by Tu, Wei-Ming (b. 1941).
Chung Yung, with its first character chung signifying the mean, centre or centrality and the second character yung denoting commonality, constancy or harmony, represents thinking on the three cardinal concepts of 'superior personhood, community of trust and sincerity.' Firstly, it means a moral call and the status of a ‘superior person’\(^{31}\) achieving the highest possible level of self-cultivation through lonely ethical struggles. Secondly, it means to strive for and attain a state of harmony through the dynamic process of ethical socialization or harmonization, realizing rectification or community of trust (Yang 2000). Thirdly, it means reaching the ideal character of ‘sincerity’\(^{32}\) universally acceptable and beholden in the eyes of all.

The period in which this work emerged points to and implies the political confusion and abject social distrust between the states which at that time were embroiled in a series of political and military struggles. Yang (2000), in his textual analysis of the work and his findings on the deeper moral implications, argues that the motivation for this opus was based primarily on the intent to produce a moral platform that works through from the individual constituents of society up to the sovereigns, to eventually bring everything back to a common moral ground to serve their peoples and enhance their personhood. Such intent was visible in this small opus of twenty three chapters. Chung Yung states that the ‘way’,\(^{33}\) as prescribed by a heavenly mandate, applies not only to the ruler but to everyone.

‘Centrality and commonality,’ as Tu (1989) suggests in his 1989 essay, characterizes the work for its fundamental yet far reaching aphorisms unfolding page by page in a mix of social psychology and meta-physics. The Chung Yung has been a central document for more than two thousand years and has continuously been a source of inspiration for creative minds in East Asian scholarly history. Every East Asian literati was expected to read the Chung Yung and understand its contents before they reached adolescencce. The Chung Yung remained a basic text for civil-service examinations both in China from circa 1313 to 1905, and in Korea circa 958 to 1910, up until both countries became republics in the twentieth century. The mode of thinking presented in Chung Yung is still readily perceivable. It also closely typifies how ideas are developed and refined in contemporary East Asia.

\(^{30}\) as translated by Ezra Pound (1885-1972).
\(^{31}\) chün tzu.
\(^{32}\) ch’eng.
\(^{33}\) tao (dao).
This highly influential classic could have been a response to the growing influence of Buddhist metaphysics during the writer's lifetime. This classic of Confucian metaphysics is firmly rooted in Confucius' teachings. It relates to the psychological tension and spiritual dichotomies between self and society, and the conflict between personal ethics and social norms (Tu 1989).

Chung Yung indicates how a person can sublimate his or her personhood into that of a ‘superior man, or profound person’ in the process of social and political rectification or bringing about a type of community where trust reigns, not power, and where people of the ruling or the ruled classes alike cherish a level of integrity called ch'eng, namely ‘sincerity.’ Learned by heart through intellectual internalisation or by rote just to meet the needs of the scholar examination, this message of harmonization, as Cheng (1991) argues in his article, was centrally placed to serve all aspects of the understanding of selves and in the interests of the greater good of the society. This message prescribes a continuing process toward an ever-deepening self-knowledge through a spiritually and morally elevated personhood. It also subscribes to the idea of society as a fiduciary community (Tu 1989) rather than as an adversial system. The prescription for such is ‘sincerity’ as a primary concept in the construction of a moral metaphysics as an integral approach to meeting human concerns.

The book begins with the vital and self-evident introduction:

*What Heaven imparts to man is called human nature. To follow human nature is called the Way. Cultivating the Way is called teaching. The Way cannot be separated from us for a moment. What can be separated from us is not the Way. Therefore the profound person is cautious over what he does not see and apprehensive over what he does not hear.* (Legge 1960, ch. 1)

Hence, to cultivate centrality and harmony with thoroughness is the way to bring heaven and earth to their proper place and all things their proper nourishment. In the modern context, building a liveable society through forming a community of trust has a significant bearing on governance. Levi (1998) argues, in her article on ‘a state of trust’ and governance, that social constituents sharing trust with others in the community stand an excellent chance of building social capital. Yang (2000) further argues that Chung Yung is consistent with the broad
psycho-analytical guidelines of Freud (1999) in that the ‘ego’ undergoes a process of overcoming the ‘id,’ then transcending to the ‘superego.’ Chung Yung is compatible with the argument of Lacan (Evan 1998) in that individuals go through the dialectical process of mirroring themselves against the prism of social self-images, overcome the ‘psychological structure of social symbolism embedded in subconsciousness,’ and proceed to the ‘reality’ of self-realisation in the social context.

2.3.4 Confucianism and its Encounter with Taoism and Mahayana Buddhism
While Confucianism has remained at the forefront of personal moral and governance ideology in East Asia, other important streams of thinking and worldviews co-existed either in opposition or through syncretic interactions. Taoism was in large part a philosophy of retreat and withdrawal on the part of thinkers. They were wary of perpetual warfare, social instability and destruction. Taoism provided a mental shelter to turn away from the struggle for power, status and wealth. The teachings on the tao or the way opened mental windows to infinite time and space. In this spatial and temporal infinity, the subjectivity of human individuals assumes a position of unimportance, unless it signifies the individual manifestation of vast cosmic forces. This philosophy often thrived as a protest of common men against the mounting tyranny of the ruling class. It also expressed the rebellion of the very uncommon man of intellect or sensitivity against the growing rigidity of the Confucian moralists. The Taoist great master Lao Tzu34 starts his celebrated Tao Te Ching (The Book of the Way) (Star 2001, p. 14)35 by dismissing the very core of the Confucian concept of the way. Lao Tzu also uses the same term ‘way,’ but only in a context diagonally opposite to that conceived by Confucius. As exemplified in this initial part of Tao Te Ching teachings, Taoists subscribed to a way of life that let people enjoy the independence of individual mental space, and also stay in harmony and peace with nature (Fairbank, Reischauer & Craig 1999, pp. 46-49). Interactions between Confucianism and Taoism were wide and diverse ranging from adversarial to complementary, in particular, for those not holding offices. The tao or the way meant to Confucius the ideal for the social system. Taoism gave it a new metaphysical dimension and, for the common people, a powerful alternative to the orthodoxy of Confucianism in coping with their daily lives.

34 Lao Tzu (Laozi; ca. 4th century B.C.E.).
35 p.14. ‘A way that can be walked is not The Way. A name that can be named is not The Name.’
Taoists did not always stay away from government. Xiao (1998, pp. 283-293) argues that Taoists, on the contrary, wanted to restore the right balance of humility and respect for the spiritual integrity of the people that had been lost in the complexity of bureaucracy and conflict of interests that Confucian officialdom brought to the system of government. They wanted to bring back ‘nature’s rhythms’ to all aspects of human endeavour.

The Taoist ideal of a return to nature also opened up freedom of thought. Such freedom and flexibility proved instrumental in the introduction of the new foreign religion of Mahayana Buddhism. Fang (1981) argues in his seminal work that the nature of Buddhist metaphysics owed a lot to Taoism as it intellectually fertilised East Asia. Confucian morality often demands social conformity, and can potentially appear hostile to any form of non-conformity, such as that represented by any alien philosophy. Buddhism, on the other hand, was appealing in the then contemporary East Asia to those who yearn for more receptive hearts and minds.

While a person in power usually is a Confucian positivist intent on the saving of the ‘world’ or society, at the same time that person might cherish a strong aesthetic urge nurtured by the individual freedom of Taoism and its mystical unity with nature. Hence, East Asian artists and poets closely identified with the Confucian tradition have usually been Taoists at heart (Watson 1968). Popular attraction also came from the potent weapon of humour that Taoists such as Chuang Tzu (Zhuang Zi; ca 369-286 B.C.E.) employed against the pomp and the staid character of the Confucian establishment. Humour was an important ingredient in their teachings and literature, more readily mobilising popular confidence in the validity of their assertions (Watson 1968).

Such psychological, aesthetic and philosophical flexibility through its duality of yin-yang has provided a space for humanism, even under the worst adversity, until modern times. Since neither Confucianism nor Taoism were jealously exclusive religions, the individuals and even the whole of society could be Confucian and Taoist at the same time, achieving perhaps a healthier psychological balance on these two bases than could have been achieved on only one (Fang 1981).
From the births and syncretic interactions of primordial Confucianism, Taoism and other indigenous creeds such as Mohism,\textsuperscript{36} the period of further interaction with the major foreign religion of Mahayana Buddhism ensued and its influence was substantial enough to endure as one of the major religious and philosophical traditions of East Asia, either on its own or incorporated into the other major religions. Such interaction impacted on the evolution of Classical Confucianism nearly a millennium later, cascading into the three major trends of Neo-Confucianism, namely, the idealistic, realistic and naturalistic trends, spawning new breeds of diverse creeds under the common Confucian tradition. The three schools of Neo-Confucian approaches are, firstly, the idealistic school adhering to the Classical Confucian moral ideals, secondly, the realistic school with an emphasis on egalitarian governance of contemporary politics and wellbeing of commoners, and, thirdly, the naturalistic school that sought harmony within the context of the human to nature nexus (Fang 1981).

Seong (2001) recognised in his article Ch’oe Ch’iwon’s\textsuperscript{37} contribution to Confucianism in Korea in the second part of the ninth century. Ch’oe Ch’iwon was one of the first leading Korean Confucians who integrated and made indigenous the influences of Buddhism and Taoism in a trilogy. Syncretism as such often characterizes Korean intellectual and aesthetic traditions up to modern times. Seong’s article highlights the significance of Ch’oe Ch’iwon’s achievements, and his discussion serves as a broad sweep on the subject.

Confucianism not only interacted with the major belief systems of Taoism and Mahayana Buddhism, but also with the indigenous folk beliefs extant in Korea at that time such as shamanism and animism. Such an evolutionary process with its own and widespread influence over others had some bearing on the nature of the humanism that emerged. Watson (1968) highlighted the critical aspects of Taoist influence in his translation work of Chuang Tzu. Fang offered an erudite analysis of the symbiotic dynamics and processes of the major interacting creeds. Seung (2001) elaborated on a broad scenario the Korean trilogy of ‘Confucianism-Buddhism-Taoism,’\textsuperscript{38} as first made apparent in the works of Ch’oe Ch’iwon.

\textsuperscript{36} Mohism as started under the leadership of Moh Tzu (Mozi; ca 470-390 B.C.E.) and his followers. Mohism became one of the most important contrarian school of ideas critical of Confucian orthodoxy.

\textsuperscript{37} Ch’oe, Ch’iwon (born 857-died unknown): a Korean Confucian official, philosopher, and poet of the late Unified Silla period (668-935).

\textsuperscript{38} yubulsŏn literally means ‘Confucianism-Buddhism-Taoism’ in Korean vernacular.
This aspect has a significant implication for the understanding and recognition of the human dignity of individuals. Such an admirable balance between the dominant official culture and centralization of power would undoubtedly expand space for human freedom and potentially contribute to human rights observance and the economic ethics of a given society.

2.3.5 *I Ching*: Source of Imagination for Confucian Creativity

*I Ching* or the Book of Changes (Wilhelm 1983) is an ancient composition of oracles written in an archaic script during the Bronze Age of China in the period circa 2500 B.C.E. through to the Classical Confucian period of age 300 B.C.E. It was a book of divination of the courts and the people. In the age when the *I Ching* came into being, divination was an important act of governance, and certainly a critical influence on individual lives. The *I Ching* went through many changes and developed into varied versions. One version acquired Confucian orthodoxy through its editing by Confucius and his disciples. Changes in and development of this widely used book meant in turn a pervasive influence upon the evolution of written and spoken languages in form, symbolism and meaning. Apart from its age, the *I Ching*'s impacts are far-reaching and wide, not only upon Confucianism, but also on Taoism in particular, and to a substantial extent on Mahayana Buddhism in the East Asian sphere. By the second century C.E., eight explanatory tractates called Ten Wings were added (Rutt 2002).

Twenty-first century historians and philologists, aided by advances in archaeology and linguistics, continue the work of bringing a modern context to the *I Ching*, encompassing ‘changes of nature and humanity.’ While it is a book of early Sinic mathematics, natural science and wisdom sayings, it also has been a source of imagination and symbolism for all who chose their way of applying it to their lives in divination,39 cosmology, calendaring, politics, warfare, farming and many other human endeavours.

Ha (1988), in his article on ‘signs and symbols’ of the *I Ching*, describes how the *I Ching* develops from the basic elements of trigrams into the symbols and meanings of hexagrams. Ha argues that the *I Ching* represents a universal and perennial resource of metaphysical and methodological thinking. According to Ha, the *I Ching* also represents a wonderful well-spring of

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39 Divination was a formal ritual conducted in courts to interpret omens of significance for state affairs. It is to be distinguished from fortune-telling.
philosophical inspiration and reinvigoration. Being such a source, it serves as a methodological and metaphysical vehicle for philosophical comprehension and integration.

Ma (1986), in his article on the ‘symbolic system’ of the I Ching, relates how I Ching helps humans in their struggle for the realization of meaning in life. In the process of striving for meaning, Ma argues, the I Ching is a guide with which one can find a unity through the complementing of the opposite elements of yin and yang and arrives at the tao or the way of life. Ma called this dialectic the ‘paradoxical intention’ (Frankl 1967, p. 139).\footnote{‘Paradoxical Intention’ implies that a person can overcome what one fears through a therapeutic process of intensifying the underlying anticipatory anxieties and also by concurrently helping in the development of human capacity for self-detachment, often with a sense of humour. Due to the use of seemingly paradoxical means to obtain the intended result, such intents are termed by Frankl ‘paradoxical Intention’.

Ma also argues that this dialectic is not mutually confrontational. It is rather a process of naturalisation in the paradigm of the I Ching mode of thinking.

The I Ching’s timeliness lies in its philosophy of transformation, when ‘i’ literally means change and ‘ching’ means canon. This canon of changes has played a determining role in philosophy for broadening creative thinking and enriching divergent thought parameters. Such vision and the methodology of so-called ‘i-thinking’ brought with it a wealth of fresh meanings to the commonplace aspects of life and nature.

The signs and symbols found in humans and nature assume ‘signification’ (de Saussure 1990, pp. 65-66) in the ‘i-mode’ of thinking. Signs noticed in life and nature would become the ‘signifier’ through human interactions with the I Ching, and find their new meanings in the ‘signified’ objects in human, political and social relations. Symbols in nature such as ‘sun and moon’ which formed the ideogram character of ‘i’ of the I Ching, would transform through the I Ching signification and acquire such orthodoxy as to become national flags and other symbols of power and legitimacy. Once new meanings are awarded power and legitimacy, these new signs are no longer benign objects detached from humans. The sign becomes invariable in the given social framework. The Korean flag design incorporates the circle of sun and moon and strokes of I Ching trigrams (Ng 2000). It demands the respect of Koreans. Such emblems embody numerous I Ching-based designs with specific signification both as the signifier and the signified, assuming deified importance, demanding the respect of all. Over time, these signs and
meanings do change and become variable. Hence these aspects in the *I Ching* context have both ‘invariability and variability,’ characteristic of signs and symbols (Ng 1998).

The *I Ching* also played an important role implicitly as an area of interest shared by the competing ideologies of Taoism, Legalism and the major foreign religion of Mahayana Buddhism. It opened up to all an extra space for inspiration and insight for reorganization, reintegration and reconstruction, in so far as any of these traditions singularly or together are capable of creating new structures and new processes (Cheng 1991, p. 27).

Gu (2004), in his article on images in the Book of Changes in relation to ancient insights into modern language philosophy and hermeneutics, sheds light on how images⁴¹ and signs or symbols take on a linguistic form of words,⁴² and then how thoughts⁴³ assume letters,⁴⁴ to form the idea-image formats⁴⁵ of Sinic ideography. This linguistic process goes beyond its domain to the one of philosophical anthropology, according to Gu (2004, p. 469).⁴⁶ This lingual and philosophical landscape enjoys a broad sweep over East Asia.

Barthes (in McNeill 1996), in his discussion on ‘mythologies’ introduced in the lectures given by McNeill, expounds on the ‘politics of mythologies’ born of signs and symbols embedded in language and the psyche. East Asian nations share a long history and a great mix of memories and national mythologies. Such a mix has political implications, when these *I Ching*-based national signs and symbols are represented in the modern context.

Ding (2003), in his article on the ‘*I Ching*’s implications on modern technology’, refers to the Sinic technical minds attuned to the cultural patterns of the *I Ching*. Since the *I Ching* builds up its signs and symbols with the use of binary elements, it would certainly make modern computing

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⁴¹ hsiang (xiang: image).
⁴² yen (yan: word).
⁴³ i (yi: thought).
⁴⁴ wentzu (wenzi: letter).
⁴⁵ i-hsiang (yi-xiang: idea-image).
⁴⁶ The *I Ching* is a book about images; the images are symbolic representations of things. The eight trigrams having been arranged in proper order, images of myriad things are immanent within. Indeed, the *I Ching* was born out of the attempt to represent the myriad things and conditions under heaven through imagistic symbolism. The hexagram images are so called because the sages were able to discover the complex rationale behind the phenomena under the sky and represented it in images and shapes used to symbolize the meanings appropriate to a particular object. This was how hexagram images came to be designated.
science and its use of algorithm more familiar. He further argues that the *I Ching*'s quality of being able to open minds not only of religious or philosophical orientation, but also of scientific inclination, it would be conducive to innovative research and the development initiatives of industrial East Asia.

The idea of the *I Ching* as a source of imagination and also of Confucian creativity has been broadly supported by Rutt's (2002) argument for its openness and transformative capacity, and also by Ha (1988) on its being a resource of metaphysical and methodological thinking. Ma (1986) argued that challenges of a personal psychological nature can be overcome by letting ‘paradoxical intentions’ play out within the parameters the *I Ching* would allow. De Saussure (1990) expounded on the signification process and impacts of signs and symbols in close parallel to the paradigm of *I Ching*. Ng (2000) offered examples of such impacts noticeable in Korea as well. Gu (2004)’s contribution lay in his linguistic reinterpretation in terms of ‘idea-image’ as evolved from sign and symbol. Barthes (in McNeill 1996) saw another parallel to *I Ching* in the ‘mythologies’ extant in contemporary age as the offspring of signs and symbols and also as the ongoing mutations. Ding (2003) saw in the *I Ching* a direct technical parallel to the *I Ching* in the application of binaries. As such, the *I Ching* represents a source of imagination and also of how Confucian creativity presents itself through the diversity of its nature and applications.

### 2.4 CONFUCIAN GOVERNANCE

In this part of the literature review, discussion leads to the concept of Confucian governance in terms of ching-hsi or governing the world, moral and legal framework and the effects of political power coming from Confucian state ideology.

#### 2.4.1 Governance: ‘Sovereign as a Sage’ Ideal: Ching-hsi

The orthodox Neo-Confucian canon on governance rests on the Great Learning as one of the four key Confucian canons.\(^{47}\) Its emphasis is on the ethical foundation and practice of duties required both of the governing and the governed at all levels, including the sovereign, the ministers, the government administrative officials and the common people. This ethical pattern and ethos apply to the creation and running of enterprises.

\(^{47}\) *taehak* (Korean), *ta-hsüeh* (Chinese).
Chi’s article (Chi 1993) elucidates such ethical foundations and practices under the three headings and the eight particulars. The ‘three headings, cover 1) making one’s bright virtue brilliant, namely, incessant upkeep of virtuous thoughts and conducts, 2) making the people new, meaning, renewal of self or rediscovery of self-dignity, and 3) dwelling in the highest good. The eight particulars refer to 1) straightening out affairs, 2) extending understanding, 3) making intentions genuine, 4) balancing the mind, 5) refining one’s person, 6) aligning one’s household, 7) ordering the state, and 8) setting the world at peace.

His elucidation describes how this framework of personal and social virtues in the Confucian context should relate to the ‘way of kingship’ and/or in the same context to the way of leading large industry concerns. This way of kingship effectively laid the foundation of governance for the society of the Yi Dynasty in Korea. One important aspect is that the sovereign is not considered on the absolute being, beyond fallibility and moral challenge. Rather the status of the sovereign is the first among equals (Chi 1993). This horizontal accountability finds its way into T’oegye’s Ten Diagrams (Yun 1990) that defines kingly behaviours in relation to governance. In terms of contextualization on governance and its fundamental natures, a parallel framework applies to the foundation of governance for business concerns.

T’oegye’s contribution was in explaining how this political philosophy, encapsulated in the Great Learning which originated from within the Classical Confucian text of the Book of Rites, inculturated itself into the style of Korean kingship. His contribution, however, did not elaborate on the alternative thinking that was often opposed to such orthodoxy.

The most prominent counter-arguments came from the so-called Legalists. Positioned between these two nearly diagonally opposed views is the eclectic school of ‘universal

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48 samgang; Korean, san-kang (sangang; Chinese): the Three Headings, paljomok; Korean, pat’iaomu (batiaomu; Chinese): the Eight Particulars.
49 paedo (Korean), wang-do (Korean).
50 lichi (liji : Chinese).
51 Fachia (fajia: School of Legalism): It refers to a pragmatic political philosophy, near the end of the Zhou Dynasty from about the sixth century B.C.E. to about the third century B.C.E. with maxims like ‘when the epoch changed, the ways changed’ as its essential principle. “Legalism” implies a form of political philosophy that upholds the rule of law and practical institutionalization.
commonwealth’ or ‘great unity (tat’ung).’ This group, which emphasized Great Unity, drew their core inspiration from a classical text, the Book of Rites. Great Unity envisaged a system of universal governance in the tradition of both Confucian belief and propriety, following the teachings of this great Classic.

2.4.2 Legalism: An Alternative to Confucian and Mencian Views

Jeon (1996) introduced in his article the political thoughts of Hsün Tzu (310-237 B.C.E.) and the works written under the same name (Watson 1967). While Hsün Tzu was in agreement with the teachings of Confucius and Mencius, he chose to differ in the way their ideas are projected into real world situations. The stark difference lies in the fact that he considered the negative side of intrinsic human nature, contrary to the departure points of Confucius and Mencius who focussed on the human potential of goodness. He emphasized the need for personal and social discipline that needs to be institutionalized and made apparent to all in the form of laws and royal edicts. This view was further hardened by his pupils such as Han Fei Tzu (ca. 280-233 B.C.E.) who preferred to have laws at centre-stage together with the associated moral teachings as the means of personal cultivation that would help lessen both the number of legal cases and the amount of litigation.

Jeon (1996) further articulated that the legalists still maintained their ethical moorings in Classical Confucian governance thinking while their real sights were on the practical policies and measures such as the use of ‘li (rites)’ as social behavioural norms and the implementation of a ‘social division of labour’ (Watson 1967). The expansion of these moral dictates into all areas of society certainly brings Confucianism face-to-face with realities. Hsün Tzu’s contribution lies in making the ethics of Confucian sages operational and objective in terms of discernment by a third party and creating the possibility for objective criticism based on outcomes rather than any potentially subjective ethical guidelines. This is why Hsün Tzu was repeatedly quoted by posterity and is relied on as a powerful ethical source for challenging the orthodoxy and political supremacy of mainstream Classical Confucianism. This conceptual parallel and practice implications apply to the corporate governance moored on a moral footing within the legal and

52 tat’ung (datong) appears in lichi (the Book of Rites), chapter of liyün.
53 Hsün Tzu wrote a chapter on ‘the Regulations of a King’, in which he literally describes how ministers in the court, craftsmen at work, merchants in market, farmers at farms, etc., should behave and perform.
workable institutional framework. Jeon (1996) rightly brought into focus the centrality of a legal framework in delivering a system of governance based on the sagely teachings.

When Jeon claimed that this is the beginning of ‘popular centristm,’ meaning the people coming to the front of the political and moral stage or the centring of the interests of the people, he over-emphasized the conceptualistic or even overly-idealistic beginning in an age of warring states. Most monarchs were averse to this level of openness in exercising power when an intense struggle to consolidate power was occurring. As Jeon indicated, this alternative view could open the way through wider interpretation to the extreme challenge produced by ‘revolution’ or corporate upheaval in the modern management context.

Chung and Cho (1987) have written on the same subject as Jeon, but from a different angle. They emphasized the role of ‘rites’ as advocated by both Mencius and Hsün Tzu, agreeing on their centrality, but differing in their application to the governance process. In spite of this difference, Mencius and Hsün Tzu believed firmly that the mainstay of governance should remain the permanence and legitimacy of royalty as Heaven-endowed. Likewise, the management at a large modern concern should be perceived in the same light.

Chung and Cho (1987) considered the notion that the social context must have the right conditions and they made a critical evaluation of both kingship and informed sovereignty and the critical importance of the right balance between the two (Watson 1968).

During the process of modernisation under the influence of the West in both Korea and China throughout the late nineteenth century and early twentieth centuries, political ideologues and leaders tried to incorporate Confucian and other traditional belief systems into the process of modernisation. An eloquent example is found in the works of Liang (1873-1929). He was a major political thinker and wrote about another major political thinker, namely, his teacher K’ang

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54 The Socialist China of the People’s Republic has a number of scholars making references in between Marxist-Leninist revolution and the Chinese version of Classical openness to revolutionary challenges.

55 Hsün Tzu quoted his adage ‘King and people are like a boat and water. Water keeps the boat afloat. Water also capsizes the boat’.

56 Liang Ch’i-ch’ao (1873-1929) wrote about the work by his mentor K’ang Yu-wei (1858-1927) titled ‘K’ang’s Ta-t’ung shu (datong shu: the Great Unity/the Universal Commonwealth). The transcript of this document has been quoted in the book authored by Immanuel Hsü, who also translated the text into English: <http://www.renditions.org/renditions/authors/liangqc.html>, viewed 18 March 2007.
Yu-wei (1858-1927). Both were educated in the Confucian tradition but vigorously sought the recovery of the Chinese position in the world through political participation as ranking members in the midst of the political upheavals in the later part of the Ch'ing Dynasty (1644-1912). Since the Yi Dynasty of Korea maintained a brotherly relationship with China, their intellectual struggle had a mirror effect amongst Korean elites. Common to both struggles was a Chinese or Korean solution to the modernizing whilst resisting the aggressiveness of Western and Japanese influences and yet accommodating their strengths, where necessary. As mentioned earlier, K'ang in his epochal work of the Great Unity (tat'ung) envisaged a system of universal governance in the tradition of Confucian belief, without jettisoning of the teachings of the great Classics of the Book of Rites. He supported the spiritual revitalization of Confucianism and the promotion of its teachings as the state religion. Continued trust in the Great Unity presents a worldview that sees the essential and ultimate state of the cosmos as a selfless all-encompassing whole. Also his definition of moral perfection bears the profound influence of non-Confucian thought, for his vision of the ideal society, the "great unity" (tat'ung), was that of a universal moral community where in egalitarianism, libertarianism and the pursuit of personal happiness, including material abundance, would prevail (Xiao 1998).

2.4.3 Confucian ‘Power-Knowledge’ (‘governmentality’), Hierarchy and Governance
All forms of power, including political power, critically impact upon human dignity and economic ethics. Chung (1999) discussed Confucian political philosophy, stressing the centrality of the Great Learning together with its accompanying anthology of political practices under the title of ‘Extended Meaning of the Great Learning.’ The ‘Learning of the Monarch’ centred on the Great Learning and its exegeses informed the sovereign and officialdom on the fundamentals of governance. Chung has very closely traced the embedding of such governance principles throughout the changing social and political circumstances of the Yi Dynasty in Korea. The main theme remained within the orthodoxy of the Neo-Confucian classics, while flexibility is open only to different interpretations and applications fitting new social circumstances and the political orientation of incumbent sovereigns and serving ministries. While Chung has examined how the orthodoxy of Confucian rule came to reinforce its political legitimacy, his angle is restricted to the ruling class of a highly stratified society where the majority certainly do not belong to the ruling class.

58 Chewanghak or sŏnghak (Learning of Monarch).
Foucault (Ransom 1997), through Ransom’s explanation in plain English, discusses the interrelationship of knowledge and power, and the interchangeability between the two. Under the dynastic rule with Confucian state ideology, the learned group of scholar-officials enjoyed an extreme concentration of knowledge in their hands. This concentration of knowledge became the primary element of power placed exclusively at the disposal of this chosen class of social elites. Foucault defined ‘disciplines’ as micro-mechanisms of power whereby individuals are to serve the needs of power. When political supremacy is reinforced by Confucian moral orthodoxy, the power service mechanism would inevitably work in favour of the upper echelons of government, large corporations, civic community, family and seniority with the masculine as the privileged gender. Foucault also discusses the close relationship between ‘discipline and punishment’ in the exercise of power. Governance through the implicit or explicit exercise of power assumes the conflictual and political nature of power. Foucault uses the concept of ‘rationality’ that underpins the exercise of power through the art of government at the intersection of disparate influences and realities. He also warns against the ‘contingent and makeshift character of power constructs’, including implied aggressive responses.

Intense concentration of power combined with and originating in knowledge and moral legitimacy produces diverse cultural and social phenomena, which are applicable to corporate contexts. Hofstede (1997) discusses, through his acclaimed research into multinational corporate cultural settings in diverse nations, how such cultural and social phenomena would determine behaviours of constituents in a given society with its own cultural characteristics that would affect the manifestation of power. Confucianism implicitly and explicitly supports masculinity, ‘power distance’ of elites and literati, ‘collectivism over individualism’, and ‘uncertainty avoidance.’ In a Confucian society such as the Yi Dynasty of Korea, where distinct social classes of yangban (scholarly ruling elite) and sangmin (commoners) existed separated by an insurmountable social barrier, ‘ascription’ would often gain the upper hand over achievement (Trompenaas & Hampden-Turner 2000). This inherent structural distortion of power has remained a fundamental challenge for universality of human dignity and the exercise of a fair economic ethics irrespective of social standings. Such hierarchal implications could certainly be applicable to large business groups and the relationship between founding owners and employees.
The hegemony of Confucian orthodoxy over the philosophy of governance lasted until the dawn of the first millennium C.E. Confucianism then came to face formidable challenges in the new millennium. The philosophical challenge came from Mahayana Buddhism. Mahayana Buddhism was considered a superior transcendental religion, already on the ascent to intellectual dominance. Confucian thinkers and officials were gravely concerned over the popularity of Buddhism on every social tier. They began to fight back in earnest. The most prominent in this endeavour was Chang Tsai. Chang made a significant contribution during his lifetime in seeding a major turnaround that could be deemed a Confucian reformation. The creative seeds of his thoughts and works prompted the formation of the next generation of great thinkers such as Chu Hsi. Chu Hsi is the person who succeeded in the reformation and reintegration of the Confucian Classical tradition into a new tradition commonly called Neo-Confucianism.

2.5.1 Chang Tsai and the Coming of Neo-Confucianism
Chang Tsai, who was born in 1020, started by initiating an offensive against Buddhism. Chang’s main critique of Buddhism was its nihilism that Chang feared would permeate the minds and hearts of people on every level. He worked on an intellectual change of air, to recover and reassert Confucian realism combined with a positive outlook on life and an optimistic worldview.

Huang (1999, ch. 4), in her book entitled Essentials of Neo-Confucianism, argues that Chang considered humans worthy of being at the highest level among all creatures and things. This view runs directly contrary to the Buddhist view, according to Chang, that highlights infinite smallness compared to the great universe. Huang explained Chang’s reason for believing in the heavenly worthiness of humans. According to Chang, humans alone are endowed with a heaven-like ‘nature’ and ‘mind’.

Lee (1999), in his article on ‘innate nature and acquired affect under mind and heart,’ sheds light on how Chang envisaged humans reaching heavenliness in a meaningful way. Chang saw the potential of the human spirit ascending from the state of ‘unenlightened nature,’ going through

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59 Chang Tsai (Zhang Zai, 1020-1077).
60 Chu Hsi (Zhu Xi, 1130-1200).
61 hsing (xing, nature).
62 hsin (xin, mind or ‘mind and heart’).
moral self-cultivation, to finally attaining a new level of nature called ‘heavenly nature.’ This is an antidote to Buddhist nihilism, as this human–to-universe unity does away with the nihilism that Chang abhorred.

Kang (1993), in his article on the ‘edification of the unenlightened,’ offered an insightful analysis of how Chang developed his humanistic cosmology of the Great Void in syncopation with the Great Harmony in his understanding of the universe in which humans and the cosmos are not two separate entities. Chang in his celebrated work entitled the Western Inscription epitomizes his compassionate belief in the following way:

_Heaven is my father, and earth is my mother; I, as a small, finite being, occupy a central position between them. Therefore, what fills heaven and earth is my body, and what commands heaven and earth is my nature._

Chang then sends this admonition to the rulers:

_The great ruler is the eldest son of my parents [i.e., heaven and earth], and the ministers [of state affairs] are his stewards. [One should] pay respect to the aged and extend mercy towards the orphans and the helpless because they deserve such treatment. The virtue of the Sage is in complete union [with that of heaven and earth], the wise man is the most accomplished [above all ordinary men, therefore,] all under heaven, the aged, the weak, maimed, crippled, helpless, lonely, widow, and widower, who are in distress and have no one to appeal to are my brothers. To care for these in times of need is to pay reverence [to heaven and earth]._

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63 *t’ien hsing* (heavenly nature).
64 *cheng meng* (*Zheng meng*, proper use of term or correcting the unenlightened).
65 *t’ai-hsü* (the Great Void).
66 *t’ai-hao* (the Great Harmony).
67 *Hsi-ming* (*Ximing*, the Western Inscription), introductory part.
68 *t’ien* (*tian*: heaven).
69 *k’un* (*kun*: earth).
70 *t’i* (*ti*: body).
71 *hsing* (*xing*: nature).
Beyond the moral tenet, Chang worked on the vital link between moral ideology and material realities. He perceived it in the 'vital force'\textsuperscript{72} or \textit{ch'i}. This 'vital force', according to Chang, is the fundamental substance by which all processes of the universe can be explained. Chang was in broad agreement with the idea proffered by Chou Tun-i\textsuperscript{73} on the evolution of the cosmos as expounded in the Diagram of the Supreme Ultimate.\textsuperscript{74} Chang and Chou both trusted that this 'vital force' begins with the invisible realm and proceeds to the more concrete and tangible world of myriad things. Chang endeavoured to overcome speculative abstraction around moralistic cosmology in order to bring the universe onto a more intelligible basis. Hence, he emphasized the 'vital force' as the one element that makes the Supreme Void not a vacuum but the ultimate source of the world of nature.

Aided by this philosophical generalization, Chang went on to place a heavy emphasis on, and maintained a personal interest in, exploring astronomy, biology, physics and other studies of the physical world. Chang was an inspiration for Chu Hsi, who came a century later and went on with further work on the cardinal concept of the 'investigation of things'.\textsuperscript{75} The 'investigation of things' came to be enshrined in the Great Learning, and became the core orthodoxy of governance studies.

Chang develops his ideas through the process of reasoning. However, his pattern of reasoning differs from what is perceived as rationalization in the Western context of the Enlightenment. It is neither dualistic nor reductionist. What Chang considers as 'reasoning' is an extension of 'returning to nature.' It resides inherently in the nature of things, not just in the nature of humankind (Fang 1981, pp. 427-471).

\textbf{2.5.2 Chu Hsi: Reformation and Integration into Neo-Confucianism}

Chu Hsi (1130-1200) is commonly regarded as the greatest Confucian philosopher since Confucius and Mencius. He wrote commentaries on the four Confucian canonical books, namely, the \textit{Analects}, \textit{Book of Mencius}, \textit{Great Learning}, and \textit{Doctrine of the Mean}. As indicated earlier in this thesis, his commentaries became the basis of the civil service examinations in the year 1313 of the Yüan Dynasty (1279-1368) under Mongolian dominance. This also was one of the most

\textsuperscript{72} \textit{ch'i} (qi: the vital force, material force, force, ether).
\textsuperscript{73} Chou Tun-i (Zhou Dun-yi: 1017-1073).
\textsuperscript{74} \textit{t'ai-chi} (the Supreme Ultimate).
\textsuperscript{75} \textit{ko-wu} (ge wu: investigation of things).
significant acts of the Mongolian adoption of and indigenising into the Chinese system of knowledge and governance. This examination system remained in force until its abolition in 1905, in the late Ch’ing Dynasty (1644-1912). Chu effectively gave Confucianism a new meaning and, for centuries, the Neo-Confucianism that he most prominently represents dominated not only Chinese thought, but Korean and Japanese thought as well (Huang 1999, ch. 4).

In the comprehensive framework of Chu Hsi, we can see evidence of the influences exerted by a host of contemporary thinkers as teachers and debaters, and also the religious and philosophical traditions under which he lived and personally experienced through study and firsthand practice, namely, Classical Confucianism, Buddhism and Taoism. While he tried to establish the orthodox line of the Confucian Way, he was inspired by and benefited from the leading thinkers. This matter is well documented. Such thinkers are Chou Tun-i,76 Chang Tsai77 and the Ch’eng brothers78 who top the list as major influences as well as Lu Hsiang-shan79 as a serious opponent. Chu saw himself as a successor on the extant line of intellectual tradition.

The political milieu he was born into was a challenging one. The Song Dynasty (947-1126), although culturally outstanding, was militarily not as powerful as the Han and T’ang dynasties, and was under constant threat from outside tribes in the north and north-west. Its greatest catastrophe came when it lost its capital to the Jürchen, a Tungusic tribe from the northeast, and was compelled to re-establish itself south of the Yangtze River in 1127. This event marked the division of the Song Dynasty into two lesser parts: the Northern Song (960-1126) and the Southern Song (1127-1279). Chu Hsi was born in the Southern Song (Fung 1948).

He pursued his intellectual challenge relentlessly by firstly absorbing the then existing frameworks of knowledge and wisdom, then reinterpreting them, and also making them more cogent and usable in the forms of commentaries and other outputs for use in all pursuits of human affairs. He, as a high achiever, was also aided by his linguistic skill as an accomplished poet. His works covered not only the usual domains of Confucianism, but also cosmology,

76 Zhou Dunyi (1017-1073).
77 Chang Tsai (Zhang Zai: 1020-1077).
78 Cheng Hao (1032-1085), Cheng Yi (1033-1107).
79 Lu Xiang-shan (1139-1193).
psychology, the governance system for the economy in the provinces, the state exam system for new public officials and further advanced metaphysics.

Fung (1948), in his seminal work on the history of Chinese philosophy, also describes Chu Hsi or Chu Tzu as being ‘a philosopher of subtle argument, clear thinking, wide knowledge and voluminous literary output.’ His Recorded Sayings alone amounted to one hundred and forty books. With him, the philosophic system of the ‘Ch’eng-Chu school’, also known as the ‘School of Principle’, reached its culmination. Though the supremacy of this school was several times to be disputed, notably by the Lu-Wang school and by certain scholars of the Ch’ing Dynasty (1644-1912), it remained the most influential single system of philosophy until the introduction of Western philosophy.

Chu was motivated or even compelled to write, and respond, to meet the various types of challenges he faced. He had to respond, firstly, to the stagnation of Classical Confucianism, popular Buddhism and Taoism, and, secondly, to the political and intellectual divisions and rivalry between the South and North Song dynasties and the Jürchen challengers in northern China.

Thompson (1988), in his article on ‘immanence of principle and appropriateness’ of the Chu Hsi philosophy, explains how principle immanent in humans proceeds, through the creative processes of appropriateness, to the concrete embodiment of the principle. Chu Hsi expanded and deepened the concept of the Great Ultimate proffered earlier by Chou Tun-i (1017-1073). Thompson made a contribution by expounding on how Chu Hsi’s philosophising on principle and appropriateness immanent in humans parallels the Kantian concept of ‘reason and duty’ (Mou 1982).

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80 Chu Tzu: an honorific name awarded that means the Master Chu.
81 Chu Tzu Yü-lei (Classified and Recorded Sayings of Master Chu).
82 Li hsüeh (School of Principle).
83 The School led by Chu’s contemporary opponent Lu, Xiang-shan (1139-1193) and Lu’s posterity protégé Wang, Yang-ming (1472-1529).
84 li (principle or pattern).
85 yi (propriateness or righteousness).
86 t’ai chi (the Supreme Ultimate).
Further to the above, Tillman (1987), in his article on ‘consciousness of Heaven (Tien) in Chu Hsi’s thought’, explained how Chu’s formulation of Heaven, as developed from that of the Ch’eng brothers, proceeds to establishing a more rational and metaphysical philosophy. This shift of the worldview represents a milestone analogous to that of Confucius (551-479 B.C.E.) fifteen centuries earlier. According to Tillman, Confucius was the one who transformed the primordial moral tenet of the humanistic Heaven as represented in the Book of Documents and the Book of Poetry into a ‘new Heaven’ based on moral reality.

Lim (1993), in his article on the concept of the Great Ultimate comprising fundamental elements of principle and material force, argues that Chu Hsi firmly believed in the presence of principles in all the things in the world, and came to declare that there is a ‘Great Ultimate’ in everything and in every person. Hence, Chu Hsi used the Great Ultimate as the cornerstone of his principle and material force. The principle undertakes to define the reality and universality of things. Material force on the other hand enables the formation of physical beings, their individuality and transformation. It becomes the agent of creation.

This implies that Chu Hsi has absorbed mind into nature. For him, nature is ontologically given and the mind is epistemologically given (Huang 1999, ch. 7 & 8). The mind is embedded in nature so that the mind can seek guidance from nature. Nature in turn has its fulfilment in the mind, since the mind directly controls human action. Chu Hsi’s dualism, however, is not about duality, because principle (li) and material force (ch’i) are inseparable. Principle needs material force in order to have something to adhere to, and material force needs principle as its form or essence. Principle and material force are not reducible to each other. Each will maintain its own identity and special characteristics. Chu Hsi can be said to have taught a ‘constitutional dualism’ or ‘functional monism’ (Cheng 1991, pp. 389-393).

Another important concept in Song-Ming Neo-Confucian philosophy was ch’i (material force or vital force). Mencius was the first to urge us to cultivate this vital force in ourselves, implicitly assuming a correlation between Heaven and man, or macrocosm and microcosm. The yin-yang school then understood yin and yang as two vital forces explaining the formation of the natural

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87 Shu ching (Shujing: the Book of Documents).
88 Shih ching (Shijing: the Book of Poetry).
89 ch’i (qi: material force).
universe and human society. The interaction of the *yin* and *yang* results in the production of the *Five Elements*, and from these the physical universe as we know it is produced. In his cosmological theory, Chu Hsi endorses most of the theories of Chou Dun-I (Cheng 1991).

As a corollary, Park (1992), in his article on ‘tri-parts of mind, human nature, and emotions,’ argues that the tripartite division of the mind, human nature and feelings relates to an existential concern, which forced him to develop a metaphysics of mind and nature by following Cheng I’s thought. The mind is the agent that acts out principles inherent in human nature. The contrast between the two is that nature is transcendent while mind is immanent. But there is also a correlation between the two. Nature provides a solid foundation for the mind to act, so that the mind will not go astray and become lost; the mind has the ability to put principles in nature to work in real life.

Lee (1993), in his article on ‘Chu Hsi’s mind philosophy’, further details on how the ‘tri-parts of mind, human nature, and emotions’ interact. He explained the steps of the pre-animated state of *mind* being the *nature*, and post-animated *mind* as the *emotions*.

Lee (1981), in his article on ‘Chu’s textual analysis of the *Great Learning*’, argues that the ‘investigation of things’ as the core concept in the *Great Learning*, brings such intellectual quest in the unison of ‘tri-parts of mind, human nature, and emotions’ to exercise a creative observation of nature, so that it goes beyond cosmological speculation to the existential problems of the self and the world.

Bethrong (1993), a theologian, in his article on ‘Chu’s self-realization and the role of ‘earnestness’ argues that ‘earnestness’ brings into play the ‘organic process’ of self-realisation through the creative interaction of such tri-parts. He has made an attempt to inter-relate Chu’s philosophy with that of process philosophy (Whitehead 1979).

For Neo-Confucians, study is not a means of gaining a position. From the very beginning, promising young scholars must set their minds on the *Way*. Chu made great efforts to revive

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90 *ko-wu*: ‘investigation of things.’
91 *ch‘eng* (earnestness; sincerity).
some of the ‘colleges.’ His effort made a significant impact, and also attracted the jealousy of people in power. Such an emphasis on earlier intellectual education focused on moral centrality can be witnessed in the corporate academies run by contemporary business groups earmarked for early career cadets and/or executives.

Chu Hsi and his scholarly colleagues managed to re-write nearly all of the Confucian Classics with commentaries in the then contemporary context. One of these Neo-Confucian anthologies was *Reflections on Things at Hand*. His accomplishment exerted a profound influence on the minds of East Asia for more than seven centuries, representing the most significant chapter of reformation of Confucian tradition. The term ‘things at hand (chinssu)’ comes from the *Analects* of Confucius. Its suggestion is that reflection of ‘things at hand’ is the way to approach humanity. Chu brought the way closer to his contemporaries and for subsequent generations in government, academia or industry.

2.5.3 The ‘Lu-Wang School’: A Major Challenge to Chu Hsi’ Orthodoxy of Neo-Confucianism

Lu Hsiang-shan (1139-1193) as a contemporary of Chu Hsi had differences in views that could not be bridged in spite of their debates mostly in writing. Their irreconcilable differences were over fundamental tenets of Chu Hsi’s humanistic cosmology, based on the *Supreme Ultimate*. It was re-interpreted in the *Diagram of the Supreme Ultimate Explained*. Lu could not accept its validity.

Lu endorsed the traditional interpretation of *li* or principle as developed by the Song Neo-Confucians. It was valid in that, firstly, the orderly principle underlies the universe as well as each individual, and, secondly, it also remains a moral criterion for human conduct. Lu, however, emphasized the second point much more. He saw the so-called ‘investigation of things’ which originated in the Classical canon of the *Great Learning* as the starting point for virtue.

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92 *hsüeh-yüan* (*xueyuan*: colleges).
93 *Chin-ssu-lu* (*Jinsi lu: Reflections on Things at Hand*) by Chu hsi.
94 *jen* (*ren*, humanity; humanness).
95 Chou Dun-i’s concept endorsed and explained in commentary by Chu Hsi.
96 *ko-wu* (*ge wu: investigation of things*) from the *Great Learning*. 
Huang (1993, ch.9) explains where Lu’s primary interest lay, namely, in mind. She also clarifies how he pursued his philosophical grounding in the recovery or restoration of original mind. This concept of mind follows the teachings of Mencius. Lu further developed this philosophical concept of mind and made an original contribution by establishing a new philosophical school called “Learning of the Mind.” This new school attracted a substantial following amongst those who had no way of having access to the sophisticated learning in Chu Hsi’s orthodox way. This also exerted an extra appeal for those already comfortable with the more flexible Taoist way, perceived as more commoner-friendly or with the ‘Ch’an Buddhist’ way focusing on meditation and enlightenment through reflections of mind.

For Lu, principle and the mind should meet to form a perfect unity between the two. In his view, the objective mind is universal and can be known and apprehended by the subjective finite minds, which in turn express the all-comprehending mind. It is universal mind with which the principle is identified. This principle, the governing principle of the universe, constitutes the unity, coherence, sequence and, above all, goodness of the world. Each individual mind has the capacity of understanding this goodness, and man is expected to live in accord with such goodness. In other words, for Lu, mind is all-embracing. It is the embodiment of principle. Study of mind has had ongoing adherents all over East Asia.

Lu was benefiting in the strengthening of his Study of mind from the teachings and practices of the emerging Ch’an (or Zen in Japanese) Buddhist sect. Under this influence, Lu promoted a practice called ‘quiet sitting.’ The teaching of Lu’s ‘quiet sitting’ is influence by Taoism, particularly such sources as the writings of Chuang Tzu. Chuang Tzu sought and taught about a deeper and free-spirit inner search and enlightenment that came along with the daily practice of quiet sitting.

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97 Hsin (xin: mind or ‘mind and heart’).
98 Pen hsin (ben xin: original mind).
99 “The way to acquire learning is none other than to seek for one’s lost mind.”
100 Hsin hsüeh (Xin xue: Learning of the Mind).
101 Ch’an or Zen in Japanese is a Buddhist tradition emphasizing personal meditation and intuitional enlightenment, firstly led by Hui Neng (Hui Neng, 638 -713).
102 Ibid.
103 Ching-tsou (jing-zou: quiet sitting).
104 Chuang Tzu (Zhuang Zi: ca. fourth century B.C.E.).
Ch’an Buddhism has left significant influence all over East Asia. Certainly in Japan, the Ch’an sect experienced a high level of inculturation into Zen Buddhism. The Ch’an Buddhist sect had originated partly as a reaction against the metaphysical obscurities of Indian thought. The term Ch’an or Zen comes from the Sanskrit *dhyāna*, meaning ‘meditation, thought, and reflection’, especially profound and abstract religious contemplation. When Lu emphasized the teaching of ‘quiet sitting’ as an important means of attaining mental enlightenment, he was seen by his critics such as Chu Hsi as neglecting the written texts of Confucian canons, with an over-emphasis on mind culture.

While Lu was open to learning from Ch’an Buddhism, he was against what he perceived as the Buddhist negative, ascetic and pessimistic outlook on life. He remained loyal and truthful to Classical Confucianism. He worked on what he considered the realistic alternative or even better way so that the broader community may engage in a more meaningful life, without having to rely on the sophisticated systematic learning only available to the privileged minority. He firmly believed that each individual has infinite worth and is capable of developing his ‘original mind’\(^\text{105}\) and restoring it to its original state of perfect goodness, even if it has been corrupted by desire. As a realistic moralist, Lu emphatically insisted that life is real and good (Huang 1993, ch. 9). In opposition to the passive attitude of Buddhism that maintains the obliteration of individual activities as the way to get rid of evil in this world, Lu as a faithful Confucian encourages all to engage in moral struggle.

Lu’s accomplishment and his influence were substantial. However, he is not to be compared with Chu Hsi in depth and reach of a well-rounded philosophical system built around extensive commentaries on the Classics of mainstay Confucianism. It was only with the advent of Wang Yang-ming (1472-1529), his protégé of circa three centuries later, that Lu’s ‘mind school’ was revived and began to flourish.

2.5.4 Wang Yang-ming and ‘the School of Yang-ming’
Wang Yang-ming (1472-1529) is often considered the greatest philosopher of the Ming Dynasty (1368-1644) (Huang 1999, ch. 10). As an ardent soul searcher since his youth, with no success in finding answers to his questions, Wang is known to have had a major awakening.\(^\text{106}\) The

\(^{105}\) *pen hsin* (*ben xin*, original mind)

\(^{106}\) Wang was known to have had a sudden enlightenment one night in 1508 at the age of thirty-seven.
awakening was that the classic doctrines of ‘investigation of things’\textsuperscript{107} and ‘extension of knowledge’\textsuperscript{108} are merely objects of man’s consciousness or mind. He was convinced that this is the solution to those philosophical issues that had concerned him. He also found that his awakening found great reassurance and support in the works of Lu Hsiang-shan (1139-1193). He adopted Lu’s thought openly, and proceeded to strengthen it in his creative way, to form what is called the Lu-Wang School’ and also a new tradition of thought in what his followers called ‘School of Yang-ming’\textsuperscript{109} or simply ‘Wang Study’ in his honour.

TH Kim (2001), in his article on the ‘philosophical characters of Yang-ming and sectarian outgrowth,’ argues that Wang’s most remarkable achievement in the course of one decade and a half after his sudden enlightenment was the full development of his own philosophical system. Works by Wang were posthumously dedicated by his pupils in 1572, entitled the \textit{Complete Writings of Wang Yang-ming},\textsuperscript{110} consisting of thirty-eight books. Kim further noted that in 1527, Wang summarized the main emphasis of his philosophy, which became his ‘four maxims.’\textsuperscript{111}

Kim also argues that Wang’s talent was not limited to scholarship. Wang also was a keen military strategist, and took on government assignments to suppress provincial rebellions from 1516 to 1519. He emerged successfully from these tasks. His military strategy and operations combined with his political career added to his fame and influence.

Yun (1992) in his article on ‘Hagok’s approach to the Wang School,’ has provided further insight into the philosophy of Wang. According to Yun, Wang’s departure point was an explicit refutation of Chu Hsi’s philosophical dualism. Wang’s ontological view on the universe was one of the ‘unified whole’, not to be divided into the two levels, namely, the level of ‘above form’\textsuperscript{112} and the level of ‘below form.’\textsuperscript{113} Division into the two levels was asserted by the school of Ch’eng-Chu, i.e., Chu Hsi’s orthodoxy. Wang claimed that Chu Hsi’s understanding erred, in that the \textit{mind} is the same as \textit{principle}, without exclusion of one or the other. Knowledge and understanding

\begin{itemize}
  \item \textsuperscript{107} \textit{ko-wu} (gewu: ‘investigation of things’ from the \textit{Great Leaning}).
  \item \textsuperscript{108} \textit{chih chih} (zhī zhī: ‘extension or administering of knowledge’ from the \textit{Great Leaning}).
  \item \textsuperscript{109} Yang-ming hsüeh (Chinese), Yangmyŏnghak (Korean): the School of Yang-ming.
  \item \textsuperscript{110} \textit{Wang Wen-cheng gong quan-shu} (1572, Complete Writings of Wang Yang-ming). It consists of thirty-eight books or \textit{juan}.
  \item \textsuperscript{111} ‘1) The mind in its original nature in neither good nor bad. 2) The will when activated is either good or bad. 3) The [function of] intuitive knowledge (liang-chih) is to know good and evil. 4) The [purpose of] investigation of things (ko-wu) is to do good and rid of evil.’
  \item \textsuperscript{112} hsing-erh-shang (xing-er-shang).
  \item \textsuperscript{113} hsing-erh-hsia (xing-er-xia).
\end{itemize}
emanating from intuition permeate the reality of the external world. Such intuitive knowledge enters into the inner presence of self, making unnecessary any attempt to divide between ‘reasoned knowledge’ and ‘perceptive knowledge’. Both Chu Hsi and Wang agreed on the goal of the spiritual search as taught earlier in the Classic age by Confucius and Mencius. The goal remains ‘becoming a sage.’ They differed only on how to become one.

It was Wang who coined the notion ‘intuitive knowledge’.\textsuperscript{114} Intuitive knowledge prescribes the right way to self-presence and self-understanding as one seeks to become a sage. Wang rejected Chu’s view that knowledge and virtue are obtained through the investigation of the \textit{principle} of objects external to the mind of man. On the contrary, Wang held the view that \textit{principle} permeates the entire universe. This \textit{principle} also resides in the mind of man, according to Wang. Hence, it is essential to search within one’s own mind instead of investigating things outside. Wang’s philosophical system is primarily value-oriented with ‘intuitive knowledge’ at its core. Such intellectual application of ‘intuitive knowledge’ continues to date in industry both in Korea and Japan as a source of inspiration as well as an intellectual attribute.

Wang’s moral philosophy drew inspiration from the basic teachings of Mencius, which Wang elaborated. The integral Mencian concept favoured by Wang was that the Confucian cardinal virtues of ‘\textit{humanity, righteousness, propriety and wisdom}’\textsuperscript{115} are not infused into humans from without.

Yun also discusses how Wang further developed the \textit{Learning of the Mind} that Lu Hsiang-shan initiated. Wang worked on the concept of ‘intuitive knowledge’ in parallel with that of Lu’s \textit{original mind}.\textsuperscript{116} It meant that humans are endowed with an innate knowledge that is essentially good and able to distinguish intuitively between right and wrong. Wang made it clear that this intuitive knowledge of goodness is not only bestowed upon the mind of the great man, but also upon that of the ordinary man. This egalitarian thinking\textsuperscript{117} enjoyed a wide-spread resonance among those disenchanted with the orthodox school (Yun 1992).

\textsuperscript{114} \textit{liang-chih (liangzhi):} intuitive knowledge (Derk Bodde and Carson Chang), innate knowledge (W.T. Chan), conscientious wisdom (Thome H. Fang), good conscience (Tu Wei-ming).
\textsuperscript{115} \textit{jen (ren: humanity), i (yi: righteousness), li (li: propriety), and chih (zhi: wisdom)}.
\textsuperscript{116} \textit{pen hsin (ben xin: original mind)}.
\textsuperscript{117} Wang’s egalitarian thinking is clear in his own illustration: ‘To love one’s father and brother is the root of humanity, just like the sprout of a tree. To have the feeling toward other people and all things is the extension of humanity, just like the growth of the trunk, branches, and leaves of the tree.’ Wang reinterpreted the viewpoint held by Mencius to the effect that it is natural for one to begin loving one’s parents and brothers before extending to other people with unequal degrees. \textit{Humanity remains remaining}
Chung (1986), in his article on the ‘Yang-ming School in the Yi Dynasty of Korea,’ offers an explanation of how Wang evolved his next cardinal teaching of ‘unity between knowledge and action.’ Wang developed the doctrine of the unity of knowledge and action, during his exile in the year of 1509, at the age of thirty-nine. He inherited the concept from Ch‘eng I (1033-1108) and strengthened it. Wang emphasized the identity of intuitive knowledge and practical moral action (Huang 1999, ch. 10). Wang’s theory of the unity of knowledge and action is a reaction against Chu’s view that knowledge is to be obtained objectively and therefore separated from action. In other words, the two attributes of human beings as knower and doer ought to function simultaneously and inseparably toward the same goal in the process of moral endeavour. According to Wang, ‘knowledge is the key direction of action, and action is the effort of knowledge.’ Conversely, ‘knowledge is the beginning of action, and action is the completion of knowledge.’ Contrary to the position of Chu, there is no prerequisite for reaching the state of sage-hood. Sage-hood, according to Wang, can be reached through the unity of knowledge and action. There is no set rule, no special technique, and no need to acquire knowledge of the external world as claimed by Chu (Huang 1999, ch. 10).

Choi (1993), in his article on ‘Wang’s philosophy and its development in East Asia,’ sheds light on the broad landscape of the Yang-ming School philosophy. The phrase ‘unity and creativity of the mind in consummation’ was employed to represent the heart of Wang’s philosophy in a nutshell. The extension of intuitive knowledge as the method of moral cultivation of the self requires special effort, including self-examination, self-transformation, self-discipline, self-reflection and, most importantly, the sincerity of one’s will. On this last point Wang says: ‘The effort of the sage to extend his knowledge is characterized by utmost sincerity and ceaselessness.’ In the final analysis, the ultimate concern of man is to be in dynamic unity with all things in the universe, in which the heavenly principle may be manifest in light of the extension of his intuitive knowledge.

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118 Chih-hsing-ho-i (zhi-xing he-yi: unity of knowledge and action).
119 ‘There is no knowledge which cannot be put into action, knowledge which cannot be put into action is superficial only.’
120 ‘When the sages and worthies taught people about knowledge and action, it was precisely because they wanted to restore them to the original state. …I have said that knowledge is the guide for action and action is the effort of knowledge, and that knowledge is the beginning of action and action is the completion of knowledge. If this is comprehended, then when one speaks only of knowledge, action is implicitly included, and when one speaks only of action, knowledge is implicitly included.’
121 Chih-liang-chih (zhi liang zhi: unity and creativity of the mind in consummation).
122 ch‘eng (sincerity).
While Chu’s interpretation of the classics remained orthodox for those seeking success such as through the civil service examinations, Wang’s *Learning of the Mind* brought a dynamic intellectual vigour to the philosophical circle of the Ming Dynasty and its East Asian neighbours, in particular Japan. The Cheng-Chu orthodox school, on the other hand, was comparatively neglected by the outstanding thinkers of the Dynasty and developed little beyond what Chu achieved. In China proper, Wang’s advocacy of practical conduct has exerted considerable influence on modern thinkers, including the first president of the Republic of China (1911-current) Dr. Sun Yat-sen (1866-1925) and the major Confucian scholars such as Hsiung Shih-li (1886-1925) and Liang Shu-ming (1893-1988) (Huang 1999, ch. 10).

2.5.5 Practical Learning: *Sirhak* in Yi Dynasty Korea

The Yang-ming School emerged as a potent alternative to the Chu orthodox system of thought in Confucian East Asia, with the exception of the Yi Dynasty in Korea where it was officially considered heterodox. The era of active Neo-Confucian development also witnessed significant political upheavals in the region. Neo-Confucianism as the official doctrine of governance likewise faced severe challenges, namely, its legitimacy as the state ideology, its efficacy in being able to offer solutions to grave challenges, and, most of all, in meeting the demands of people’s needs in overcoming trying times.

Sixty-eight years after the demise of Chu Hsi, the Mongolian domination of the Yüan Dynasty (1279-1368) came to an end and the new dynasty of Ming (1368-1662) began. This meant the return of political dominance from the grip of foreign marauders to the Chinese proper Han ethnic group. Korea also shifted from the Koryŏ Dynasty (918-1392) to the Yi Dynasty (1392-1910), also realigning its political weight from the Mongols to the Han Chinese. A generation after Wang Yang-ming’s (1472-1529) activity, the so-called ‘practical or real learning’ movement emerged, most notably in the Korean Yi Dynasty. This movement was made concrete by the major contribution of Yu Hyŏng-wŏn. The Yi Dynasty of Korea was yet to recover from the devastating invasion (1592-1598) by Toyotomi Hideyoshi (1537-1598) of Japan. Toyotomi reunited Japan, taking political control of Japan from Muromachi rule.

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123 *sirhak* (practical learning), practiced by Neo-Confucians in the later Yi (Chosŏn) Dynasty of Korea.
124 Yu, Hyŏng-wŏn (1622 -1673) in 1670 completed the *Pan’gyesurok* that was comprised of a complete reformation package on public policy matters of the Yi Dynasty in Korea.
(1336-1573), and targeting the Ming Dynasty of China (1590) to assert its suzerainty over Asia. Post-crisis, the Yi Dynasty needed to respond in real terms to the popular demands for a total recovery to normalcy of life on every level. Hence, the practical learning school came to the fore in that the official orthodox Neo-Confucianism, despite its philosophical sophistication and refinement, failed to deliver on what was perceived as practical or real demands and the needs of the populace. A comment made much earlier by Chen Te-hsiu, a leading exponent of Neo-Confucianism after Chu Hsi, resonates to this call.

Practical learning, however, does not imply the overturn of Confucian learning, whether of Classical or Neo-Confucian heritage. It was rather to find ways of practical relevance to the reality it faced so that the valuable heritage could continue or even strengthen. Scholars active in this task mostly remained outside the mainstream political machinery of the government. To gain an entry into officialdom, one still had to pass state examinations based on the orthodox Neo-Confucian texts.

Choi (1984), in his article on the ‘reformation philosophy of practical learning,’ discusses the areas of main concern to the practical learning school. Priority was placed on what was perceived to be the most urgent and significant matters. It covered bringing fairness to agricultural tenancy, fairness to all in compulsory military service, taxation, reform of the state examination system, development of commerce and trade, and reform or abolition of the slavery system. Such emphasis on the social and economic spheres did not overlook the philosophical and political aspects in order to obtain official support for such reformist ideas.

De Bary (1979), in his book on ‘practical learning under the title of Principle and Practicality,’ views the Neo-Confucian interactions with other traditions and belief systems in terms of the ‘humanism and secularism’ paradigm. He argues that, while humanism and secularism are often considered essential characteristics of modern thought as key criteria for the passage from

\footnote{Toyotomi made a decision in 1590 to invade the Yi Dynasty in Korea and the Ming Dynasty of China to assert his leadership over the entire region, and also to provide an external outlet for the warrior groups overriding their military ambitions.}

\footnote{Chen Te-hsiu (1178-1235), ‘In all the world there are no concrete forms without their ordering principles and no principles without concrete forms. If there is a concrete form to be investigated, there will be its principle inherent in it. Thus with Heaven-and-earth there are their regulating principles, and with bodily forms there are the principles of their natures and feelings. . . . If one leaves out concrete forms in the search for principles, one inescapably falls into vain and empty theories. This is not the real, practical learning of our Confucian school. The reason why the Great Learning taught men to investigate things and extend knowledge is that principles are found in things. Thus scholars should have the solid ground of reality on which to exert their efforts and not chase off into the realms of empty nothingness.’}
medieval to modern thought, Confucianism, including Neo-Confucianism, was fundamentally very humanistic and secular from its inception. He also argues that secularization was accompanied by the rise of new religious attitudes from the confluence of earlier humanisms and a new impulse to spiritualise. The development of new and deeper forms of humanism came about not only through the opening up of new dimensions of social experience in an ever more complex society and culture, but also through the regeneration of traditional ideals and the reconsecration of secular activities.

De Bary continues to contextualize on the spirituality of Neo-Confucian interaction with practical learning. He argues that spirituality is the most distinctively ‘human’ aspect of humankind, and that the secular should be viewed as sacred. Neo-Confucian soul-searching in East Asia was also a deepening and broadening of spirituality in the midst of secular change. In such a context, the movement from ‘medieval’ to ‘modern’ cannot be taken simply as one from the sacred to the secular or from the metaphysical to the material, but rather must be seen as a complex ramification and interaction of individual and social needs; moral, intellectual, and religious concerns; rational and intuitive methods.

Ahn (1987), in his article on ‘economic thoughts of practical learning of the Yi Dynasty Korea,’ argues that the Korean practical learning school, having stayed outside officialdom, did not emerge to give birth to a new secular and humanistic ideology, intensely interacting with the needs of the reality as Tokugawa Japan experienced. Ahn further suggests that in spite of the non-mainstream status of those thinkers and their ideas, their contribution was to reap the harvest in the generations still to come. Key Korean figures in the practical learning school include, but are not limited to, Yu, Hyŏng-wŏn (1622 -1673), Yi, Ik (1681-1763), Park, Chi-wŏn (1737-1805), Park, Che-ga (1750~1805) and Chŏng, Yagyong (1762-1836). Their ideas on comprehensive socio-economic reforms inspired the subsequent group of leaders to engage in the nation-building of modern Korea. Fundamentally, Korean practical learning scholarship was about the Neo-Confucian extension of secular humanism in responding to the social conditions of the era.

In the non-official domains of the Yi Dynasty of Korea, life under Neo-Confucian dominance yet imbued with implicit or explicit rival worldviews was revealed through the literary works of Hŏ
Gyun\textsuperscript{127} and Kim Man-jung.\textsuperscript{128} Both writers came from Neo-Confucian family backgrounds and followed bureaucratic careers. Yet, their sense of social justice and its vindications shown in their works, much to the delight of readers, sharply contrasted to the noble moralistic Neo-Confucian statecraft. The works of these two very popular writers were heavily influenced in their literary sensitivity by then non-official Taoists and Buddhists known for their compassionate feel for commoners. Kim Man-jung’s work is additionally significant in that his language moved away from the classic Chinese literary orthodoxy to the easy to read Korean spoken language, fitting in with the commoners’ linguistic discourse of that time. Both writers represent the social undercurrents of the majority of the populace who went through the major political upheavals and consequential hardships, resulting from the Toyotomi invasion of 1592-1598 and the Chinese invasion of 1627 and 1636-1637.\textsuperscript{129} Notwithstanding these upheavals, the orthodoxy of Neo-Confucian state ideology stood the tests of time over the next three centuries during the Yi Dynasty of Korea.

On a similar note, the lives of commoners and non-incumbent scholars in the Neo-Confucian era of China were imbued with Confucian ethics and ethos. While state ideology was based on the high morality of Neo-Confucian orthodoxy, the lives of the non-royal classes were far from being comfortable in terms of economic wellbeing or social justice.

Practical learning was indeed a response to the dominance of Chu’s orthodoxy. Conversely, the intellectual depth of practical learning was often facilitated through reflection in the mirror of Chu Hsi’s thought system. The strength of the Chu Hsi mode of thought was that it was both scholarly and spiritual. It nonetheless provided for the development of the individual mind, recognizing the spiritual dimensions of such development. Chu was transforming both the ends and the means by making use of a genuinely Confucian doctrine.

\textsuperscript{127} Hŏ Gyun (1569-1618): a major literary writer of the Yi Dynasty Korea who wrote a scathing critique of his contemporary Confucian officialdom through a novel, involving a humanized ‘tiger hero’ scolding corrupt and incapable mandarins.

\textsuperscript{128} Kim Man-jung (1637-1692): a major literary figure and official-scholar of the Yi Dynasty Korea who wrote the first vernacular novels particularly earmarked for those under-privileged readers in non-official domains such as female homemakers, including his own aged early widowed mother.

\textsuperscript{129} The Ch’ing Dynasty’s first emperor invaded the Yi Dynasty of Korea twice, first before his enthronement and next thereafter, demanding the Yi Dynasty sever its ties with his rival Ming Dynasty, which Korea contumaciously refused and which brought on the invasions.
It is a historical irony that Chu’s Neo-Confucianism survived due to its most severe challenges, and vice versa. The common goal for Neo-Confucian humanism was to remain focused on the self-cultivation goal of ‘becoming the Sage’ as a microcosm as well as a model of human integrity. Self-fulfilment in action is shown by the Way as a macrocosm as well as an overarching unity and ultimate process. As the separate branches in the Neo-Confucian synthesis underwent their own development in constantly changing and ever more complex historical and cultural circumstances, their evolving meaning and validity were also reflected in the unifying concepts of Confucian humanism and secularism. The intellectual impact of the so-called ‘Practical Learning (sirhak)’ school of Neo-Confucianism continues to date in modern Korea as the moral understanding of self as a member of a larger family, i.e., society at large, whether of polity or of industry.

2.6 SUMMARY

The above discussion on the schools of Confucian thought and leading figures has noted extraordinary consistency of Confucius’ role as the foundational thinker and as the key moral proponent of the concept of humanity in East Asia. The role of opponents, such as Mohists, contrary to the dominance of orthodox Confucianism was significant in meeting the needs of those under-privileged. Mencius reinforced the moral core of Confucian humanity and strengthened the basis for social egalitarianism and for equitable governance ideals. Since Tung, Chung-shu as the prime minister of the Former Han Dynasty (206 B.C.E.-8 C.E.) elevated Confucianism to the state ideology and started the legacy of Confucian orthodoxy for two millennia, Confucianism underwent significant changes, most importantly the Neo-Confucian reformation started by Chang Tsai and consummated by Chu Hsi. Chu Hsi’s Neo-Confucian orthodoxy became a new mainstay of Confucian tradition in the East Asia until the modern era. Wang Yang-ming and his school of ‘mind and heart’, as the major opponents to Chu Hsi’s orthodoxy, provided mental space and fertile ground for creative interaction with other major belief systems such as Buddhism and Taoism. Thanks to Confucian ecumenism, intellectual dialectics amongst diverse belief systems helped expand socio-psychological breadth not only for scholar-officials but also for commoners. Neo-Confucianism finds in the School of Practical Learning a precursor to modernity and industrialisation in East Asia, including more openness to interactions with the West in learning, science and institutional demo-centrism.
The literature review in this chapter explores the past and present intellectual background of Confucianism based on scholarly works as related to the main research question. The review has become a short intellectual journey through the philosophical tradition of Confucian humanism and governance. Through the minds of scholars, this review has examined Confucianism from its birth and evolution into Neo-Confucianism through Practical Learning and various ramifications of the enculturation process. Literatures were selected and discussed in cross-disciplines. Under these disciplines came cross-cultural theories, socio-psychology and economic ethics.

In the third chapter the birth and evolution of Confucian business groups will be evaluated.
Chapter Three
Confucian Business Groups

3.1 INTRODUCTION

This second part of literature review encompasses the development and evolution of Korean business groups. It also relates to business ethics and social perception of Confucian engagement in the formation and management of enterprises.

Discussion of Confucian philosophical undercurrents will also relate to how they impacted upon the foundational ethics of those who started enterprises that grew into the business groups of today. Such enterprises are common to both Korea and Japan, in that conglomerate models of Japan called ‘zaibatsu’\(^1\) and/or ‘keiretsu’\(^2\) have been adopted by the first generation of founding leaders of Korean business groups who were educated in Japanese system during annexation of Korea by imperial Japan (1910-1945).

This literature review will also cover the theories of business groups and scholarly analyses of their practices in both Korea and East Asia, since business groups share substantial commonality amongst Confucian East Asian nations. This chapter will endeavour to shed light on how Confucianism and its philosophical and cultural attributes are embedded within the organization of business groups and continue to impact upon the way of thinking and the behaviours of senior management of business groups.

The literature review, hence, will begin with how the close relationship between state and large business concerns inevitably developed since the adoption of Confucian statecraft and corporate governance models in modern economic context. A review will also be made of the literatures of business theories and observations based on Confucian cultural underpinnings.

East Asian economic development policy, with the state at the forefront of the drive, used conglomerates as the vehicles of export promotion and import replacement in the marketplace,

\(^{1}\) zaibatsu: Japanese equivalent to chaebol of Korea.
\(^{2}\) keiretsu: Japanese description of associated groups of companies.
as business groups arrived as powerful newcomers on the global stage under the state-sponsored ‘foreign economic policy.’

Japan led as the head of ‘flying geese’ as the pace-setter. The review will also include other attributes and experiences of business groups such as vertical and horizontal integration, regional formation of ‘clusters,’ issues of family-based business system and its governance, formation of global networks of products and values, and strength and weakness of integration.

Discussion on Asian financial crisis of 1997-2000 is a critical in that it represents a tip-over point for business groups as reforms have been forced upon them in financial structure and change-over governance system consistent with global standard.

Finally, there will be discussion of global corporate citizenship, with particular reference to the pressing issues of climate change and ecology, where business groups represent both the parties responsible for the current situation and possibly solution providers of the future.

This chapter will discuss the broad theme of how Confucian humanism impacts on business ethics and corporate citizenship as reflected by Confucian worldviews within the context of what worldviews contemporary Confucians have on their society, both domestically and globally. (Steger 2008).

Before commencing this part of the literature review, an overview will be provided of Korea and her economy.

3.2 OVERVIEW OF THE KOREAN ECONOMY

Korea has a recorded history extending over four millennia, during most of which it has been an independent country. The Korean language is a member of the Ural-Altaic linguistic family, and is different from Chinese. Chinese vocabulary and literature influenced Korean written language through Confucian Classics and other literary imports. Tan’gun is the mythical founding father of the nation.³ His ideology of hong’ik In’gan (the broadest benevolence for humanity) is in

³ Tan’gun (reign ca. 2333 B.C.E.). Mythical founding father of Korea, known to have ruled with the foundational ideology of ‘broadest benevolence for humanity (hong’ik In’gan).
conformity with Confucius ‘humanity.’ Centrality of moral grounding for either national or personal worldview has remained a strong tenet of Korea, impacting on societal and corporate conduct even today. The social and national imaginary (Anderson 1991) of Korea as a long independent and unique culture of homogeneous ethnic makeup provides an important underpinning for intellectual discourse on Korean national self-perception and grounding of a system of ethics applicable to individual, family and national levels. Confucianism was introduced to Korea early in its recorded history with the tradition of scholar-official governance in public service. Until industrialisation occurred in earnest during the second part of twentieth century, the Korean economy remained largely dependent on agriculture as the mainstay of national wealth creation.

The expansionist policy of imperial Japan annexed Korea during the period 1910-1945. The political and business elites of industrialising Korea, after her recovery of independence in 1945, received a Japanese education and inevitably studied the models of the successful process of Japanese industrialization that matched the level of leading powers of the West. The first generation of the founders of Korean business groups and policy makers in government had a ready reference point wherefrom they could start the industrialisation process either in the macro-economy or in building up industry from the ground up. Hence, the so-called ‘flying geese’ (Burkett & Hart-Landsbert 2000) paradigm of East Asian economic development carries currency, including in the case of Korea.

Since the 1960’s when the military government of President Park, Chung-Hee (presidency 1961-1979) took office, Korea launched a series of Five Year Economic Plans. The Plans consolidated national purpose in mobilising human and capital resources around a government-led economic drive, engaging both the existing and new business groups as the vehicle for building export-bound industries and external trade. As a result, within several decades, Korea was transformed from an agricultural nation into a dynamic industrialising nation, capable of exporting and competing in the global economy. Korea joined the OECD in 1996 as the second member nation in Asia after Japan, thus becoming recognised as a peer among global industrial

4 humanity: *jen* (humanity or humanness) is the core attribute of Confucius teachings.
5 OECD: Organisation of Economic Cooperation and Development, based in Paris, commonly called the ‘club of well-off industrial nations’.
countries. Korean industrialisation followed a series of steps, starting with labour intensive industries in 1960s-1970s. It moved on to more technology and capital intensive ‘heavy-chemical’ and electronic industries from the 1980s. Some leading companies, such as Samsung and Hyundai and products such as microchips and large ships, e.g., VLCC,⁶ became prominent enough in the global marketplace, replacing market leaders.⁷

The Korean polity also underwent dramatic change from the era of military autocracy to liberal democracy from 1987 when civil resistance against military dominance over politics succeeded in gaining free elections and a changeover to civilian-based governments. A good majority of Korean business groups or chaebol’s⁸ were either born under the aegis of military governments or owed their rise to these regimes. Some business groups are participants in the South-North Korea economic relationship through the creation of enterprises in the manufacturing sector utilizing the lower wages of North Koreans, and the tourism sector in North Korea invested in and managed by South Korean business groups.

Government-business partnerships in developing high-technology sectors against the protective technology policies of the advanced industrial countries were successful in certain sectors such as information and semi-conductor chip-making industries, where government led the policy and implementation of information highway infrastructure, while business led the development of high-tech products for use with the given infrastructure, and also opening global markets for them. Such partnership, however, limited market entry of newcomers to the industry and fair competition. The Fair Trade Commission of Korea,⁹ under the relevant legislation, was introduced in 1981 to attend to this problem. Korean business groups maintained an ethos of family member relationship with government sectors as well as with in-group companies and employees, based on what can be termed Confucian ethics as the foundational philosophy and, more often than not, the operating management hierarchy and principles of business. Such governance principles and concentration of power and resources in the hands of founding families came into conflict with the fast globalising economy and liberal democratic polity of

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⁶ VLCC means very large crude carrier.
⁷ An example is shown in the work of Chang, Sea-Jin 2008, Sony vs. Samsung: The Inside Story of the Electronics Giants’ Battle for Global Supremacy, John Wiley & Sons (Asia), Singapore.
⁸ chaebol: It literally means a consolidation of assets or wealth, used colloquially to identify business groups in Korea. Japanese equivalent, sharing identical Chinese characters, is zaibatsu.
Korea.

More detailed discussion will take place in the following part of this chapter, starting with foundational concepts of Confucianism as a belief system and way of life as they relate to modern Korea on the individual, corporate and national planes.

3.3 CONFUCIANISM AND KOREAN BUSINESS GROUPS: PHASES 1-4

The Confucian tradition as a belief system has its multilayer of consciousness about understanding of self and society in the familial context and also underwent interactions amongst competing views and also undergoing transformation through syncretic nexus, most importantly with Buddhism and Taoism.

Given such intellectual and socio-psychological undercurrents or Confucian behavioural orientation, the following discussions are more specifically on how Confucian heads of state and state elites, and their counterparts in the business groups of Korea, perceived and pursued the opportunity of modernising the nation through a fast paced catch-up with the forerunners such as Japan and the West. While literature examined here will be mostly on economic and industry theories, policies and practices, discussion will stay close to the aspects of social and cultural embeddings of Korean economic development and emergence and evolution of business groups, consistent with the research question of this study.

Discussions from here will broadly follow a chronological order and thematic process such as of triggers, pertinent Confucian cultural embeddings, related theories and impacts or consequences in describing development both of Korean economy and business groups. Development of business groups of Korea has been broken into four phases, i.e., Phase One covers the inception and national development from the 1950s to the 1970s; Phase Two deals with the time of global expansion from the 1980s to 1996; Phase Three covers the economic turmoil and reconstruction from the Asian Economic Crisis during 1997-2000; and finally Phase Four constitutes the period after 2001 described as ‘the era of global governance’. The following sections cover discussions on each of the phases.
3.4 PHASE 1: INCEPTION AND NATIONAL EXPANSION

There are a number of theories behind an explanation of the key triggers for the economic development of Confucian East Asia. Burkett and Hart-Landsbert (2000) introduced five possible schools of thought on these triggers, namely the ‘flying geese’ paradigm probably most befitting the Confucian model, ‘Marxist’ view of class struggle starting with revolt from farming peasantry, the ‘neo-liberal’ view of economic expansion, the ‘dependency theory’ of the forerunners usurping the laggard economies, and the ‘expansion of Sino-East Asia.’ Each view has some relevance, whereas our discussion will focus on the first one, namely the ‘flying geese’ paradigm.

3.4.1 Government-led Economic Development (EDP) and the Role of Business Groups in Foreign Economic Policy (FEP) on ‘Development Ladder’: ‘Flying Geese’

Korean peninsula was under the Japanese empire from 1910 through 1945. When Japan surrendered in August 1945, the division of Korea occurred because the northern part of the peninsula was occupied by Soviet forces with Kim, Il-sung (presidency 1945-1994) as the leader of North Korea (Democratic People’s Republic of Korea). The southern part was occupied by American forces with Dr. Syngman Rhee (presidency 1945-1960) as the leader of South Korea (Republic of Korea). South Korea, hereafter to be termed Korea in this study, was dependent on economic support from the US. Agriculture remained the mainstay of the country, with little export of the manufactured goods. The two Koreas had a civil war, known as Korean War, from 1950 through 1953 bringing devastation on both sides of Korea. Post-war Korea remained in poverty.

Civilian government of Korea gave in to military takeover in 1961 by then General Park, Chung-hee who commenced a series of government-led economic development programs known as the Five-year Economic Plans. Due to a lack of technology and capital with virtually non-existent industrial infrastructure by international standards, the economic drivers had no option but to institute a ‘foreign economic policy (FEP)’, to support export initiatives while restricting imports by encouraging import replacement industries. Since President Park spent his youth as a former army officer in imperial Japan, he was fluent in Japanese, and he understood the history and

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policies of Japan in relation to industrialisation. In evaluating Korean policy options, Japan became a reference point as the model of the so-called ‘flying geese.’ To place Korea on similar path on the development ladder, Park mobilised a group of business leaders who led Korean equivalents to Japanese conglomerates, i.e., zaibatsu, in the hope that Korean conglomerates could be created or strengthened to serve as the vehicles of the government-led economic plans based on the FEP (Cho 1994).

During the time of the first (1962-6) and the second (1967-71) five-year plans, export-oriented industries focused on labour intensive industries with export potential at the entry level of industrialisation such as textiles and clothing and some import substitute categories such as consumer goods.

To closely manage the allocation of scarce resources, the government consolidated its economic management within the machinery of centralized bureaucracy. The only recognised Korean advantage was an abundance of low wage and well-educated labour. It meant that the mainstay of initial industrialisation adopted the modality of ‘import raw materials’, ‘manufacture goods domestically’, and export overseas, as Japan did with success ahead of Korea (Kim 1997, pp. 27-33).

Geopolitically, this was an intense period Cold War. Korea became one of the close military and political allies of the United States after the Korean War (1950-1953), and even dispatched sizable combat units to join the US during the Vietnamese War in the 1960s and 1970s. Hence, the US provided market and capital access for Korea in her pursuit of export-based strategy. In 1965, Korea also re-established a diplomatic relationship with her former adversary Japan. Since then Japan has become an important source of capital and technology, such as through compensation funding for the pre-WWII occupation of Korea and use of Koreans as a part of Japan’s war mobilisation.

The government also had effectively a near total control over all national or commercial banks, in order to provide financial support only to those businesses and projects consistent with the export promotion policy of the country, explicitly prescribed in the annual and five-year plans. The core bureaucracy responsible for selecting and allocating such policy-led funding was the Economic Planning Board (Kim 1997). Since large scale or lucrative projects can be financed
through such selective processes of central planning within government machinery, Korean business groups had their fortunes of success or failure virtually dependent on the policy orientations and compliance by business sector. Business groups evolved their own path of diversification during this period, following closely on incentives open to firms capable of completing desirable projects, or facing denial of opportunities (Song 1997). Such a symbiotic relationship engendered the likes of Confucian family hierarchy. Competition between the leading business groups and those newly aspiring entrants was intense.

The learning process of Korean business concerns commenced with the adoption of foreign designs and technology or ‘original equipment manufacturing (OEM)’, whereby foreign buyers would provide design and quality control, utilising local labour and management at cost levels attractive to overseas buyers. Entrepreneurship and innovation were at the forefront of government industrial policy. The Korean economy achieved the annual average growth rate of 8.9 percent in the first five-year plan period and 11.1 percent in the second (Cho 1994, p. 27-33). This also meant that the ranking of leading business groups and their entries or exits from the leading ranks became very fluid during this fast economic development period, as shown in the Table 3.1. The industries requiring large initial capital outlays such as oil refining, fertilizers, synthetic fibres and cement production were the decisive areas wherefrom most benefits were derived.

Table 3.1: Ten leading business groups of Korea: in 1960, 1972, 1984 and 1996

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<td>3</td>
<td>Kaepung</td>
<td>Hanjin</td>
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<td>6</td>
<td>Dongyang</td>
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<tr>
<td>7</td>
<td>Kukdong</td>
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<td>Hanglass</td>
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<td>9</td>
<td>Dongrib</td>
<td>Kukdong</td>
<td>Hanhwa</td>
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<td>10</td>
<td>Taechang</td>
<td>Daenong</td>
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Source: Fair Trade Commission of Korea.
3.4.2 Differences between the Korean Chaebol and Japanese Keiretsu

As mentioned earlier, Korean business groups or chaebol resembled Japanese pre-WWII conglomerates, called zaibatsu, in terms of the founding families who were still in commanding positions in the group of companies. After WWII, the Occupation forces headed by General MacArthur dismantled the zaibatsu system in order to prevent industries from participating in the manufacture of war supplies. The post-war Japanese kigyoshudan (business groups) became a voluntary association of companies built around core banks. Affiliated firms would keep up their membership through minor shareholdings and/or pooling of executives among member companies. This arrangement creates internal markets among member companies for intercompany trade and creation of new business through joint investment. During the 1990s, the internal market averaged approximately one third of the turnover of member companies. In the late 1990s, core keiretsu banks faced a financial crisis because of poor loans made on collateral of real estate which became non-performing loans during recessions, forcing the banks to merge with others in order to survive (Kim & Go 1999). Some of these mergers took place between different groups or keiretsu. As a result, the Japanese keiretsu system became less closed in their structure of membership and trade practices. Contrary to such changes in Japan, Korean conglomerates still remain family-based centralised groups of companies with limited openness to the members of other conglomerates.

3.4.3 Family-based Business System (FBS)

As illustrated in the Diagram 3.1, business group ownership has been extended through cross-shareholding of group companies by way of direct shareholding by chairmen and their families or through affiliated companies. Through this equity structure, it was made possible for chairmen and their families to effectively control subsidiary member companies without holding majority equity shares. Extension of cross-shareholdings means that member companies are placed under family control through holding of only nominal percentage of equity. Permutation of this formula created dozens of directly affiliated companies effectively controlled by chairmen, their families and/or their proxies. In the era of fast economic expansion led by the aggressive government agenda, mobilisation of internal or external capital sufficient to obtain a majority holding of each company would be deemed either impossible or even unnecessary.

Additional to group expansion through networked cross-shareholding, human networks also
evolved between the leaders in government and family members of business group chairpersons, providing political protection of such potentially risky financial undertakings (Chang 2003). In fact, a number of presidential and chairperson families became in-laws through marriages of their children.

Diagram 3.1: A Schematic Example of ‘Circular Ownership’ of Business Groups

This trend of over-extended family ownership became a serious concern of non-conglomerate business circles, policy makers and foreign investors or joint venture partners from overseas. It became apparent that a system of objective governance should be introduced to restore fairness in shareholding and trade practices.
3.4.4 Institutionalisation of Governance and the Fair Trade Act

As mentioned earlier, anti-monopoly legislation called the Fair Trade Act came into being under the institution of Fair Trade Commission of Korea (FTCK). Under this new governance system, the thirty largest business groups (‘Thirty Groups’) came under scrutiny and became obligated to reduce the percentage of family shareholdings gradually in accordance with an annual program of government-led anti-monopoly governance over the excesses that had become apparent. The thirty groups naturally mobilised their best influence to protect and extend their interests without reducing control over their group companies (Lee 2004). Direct equity holdings by chairmen and their families have declined through legal restrictions. Such holdings have declined continuously since 1983. However, equities held by group affiliates remain mostly unchanged. Structure-wise, equity ownership of Korean business groups became more dependent on cross-shareholding among affiliates. Under the Fair Trade Act, aggregated cross-shareholding by affiliates was 40 percent in 1987. In 1989, it had decreased to 32 percent. The Fair Trade Act restricted the cross-shareholding of each individual affiliate to 40 percent of its net assets. In 1994, the ceiling of affiliate ownership has been further reduced to 25 percent of the net assets of individual affiliates (Kim, Jung & Kim 2005, pp. 37-38).

Although this act imposed penalties for violation of excessive affiliate ownership, compliance with the law was any minimal, because the financial penalty payable was not severe enough or was considered nominal. Government policy guidance encouraged business groups to reduce internal shareholding and debt-equity ratio by introducing foreign equity or through disposal of assets. Business groups, however, circumvented such policies by issuing equity, yet repurchasing the same equities through their own affiliated companies using the proceeds from the release of their own equities. Such circumvention resulted in neither the reduction of affiliated shareholding, nor improvement of debt-equity ratio, because the net effect did not create new capital infusion (Lee 2004).

3.4.5 Financial Incentives and Debt-based Expansion

The government offered the so-called ‘policy financing’ for those exporters, on the condition that they would provide annual export performance reports in the ensuing calendar year. This arrangement made available favourable cash flows for business groups to make not only export

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12 ‘Policy Financing’ (chóngch’ae kümüng) meant preferential rated loans below market rates made available to exporters.
related financing, but also for investment in other lucrative opportunities with the possibility of higher or quicker returns such as in real estate or non-banking financing services.

This aspect contributed to substantially raising the debt to equity ratios of business groups, who were effectively induced to prefer debt and rely on it for expansion and profiteering. In some cases of strategically important projects earmarked by government, the government bank offered loan guarantees for raising debts from overseas. Since there was a substantial difference between market rates, particularly non-banking (‘curb market’) rates and export financing loans, the margin in between the two became a substantial incentive for business groups, as shown in the Figure 3.1 on such interest rates 1960s-1990 from the Bank of Korea (Kwon 2004).

Effectively this arrangement amounts to an export subsidy. Business groups developed a chronic dependency on preferential loans and subsidised exports. At times, the net return on sales may fall below the benefit derived from the advantages in export related banking (Jinn 2001, pp. 907-909). These aspects inevitably grew into a potential risk both for business groups and government. Business groups’ debt-equity ratios in the 1960s averaged a little over 100 percent. They increased to approximately 400 percent in the 1970s, and grew higher in the following decades (Hwang, Jiang & Wang 2007, pp. 691-693).

As long as there was strong government control over the system, such risk was capped and remained under control. When the Korean financial sector was opened to the global financial markets in the late 1990s, the government protection was removed and the pressure that had been building up led to an uncontrollable financial crisis. On this point, more discussion will follow in the section on ‘crisis and governance’ in the ensuing part of this literature review.

3.4.6 Integration, Efficiency and Economy
Business groups formed diverse networked subsidiaries and affiliated companies mostly of export-oriented manufactures. This process created domestic, regional markets in South-East Asia, commodity and value chains as well as production networks. It led to the creation of ‘global commodity or production chains (GCC/GPC)’ and ‘global value chains (GVC).’ Such integration occurred both vertically and horizontally (Choi & Cowing 2002). Vertical integration meant that upstream affiliates would provide key components or raw materials and downstream affiliates
would become ready customers for the products of producing companies in this product and value chains. Horizontal integration meant that associated companies producing similar products would complement each other in the marketplace, enhancing competitiveness for affiliated companies as combined forces.

The process of integration and intensification of local and transnational networking brought about the economy of scale and the lowering of transactional costs. Gains in efficiency through internal transactions on regional and global platforms contributed to the development of a competitive edge for business groups and their products and services (Lee & Kim 2000, pp. 335-
The impetus for such integration and intensification of local and transnational networking came from a strategic consideration. At the core of this strategic consideration was the demand among globally operating buyers for products that were sourced from business group companies.

Strategic integration as such was fine tuned to the needs of global buyers from North America and Western Europe in a wide range of industrial sectors. As were other export-oriented East Asian nations and business groups, Korean groups organized and configured their firm-specific strategy, resources and business systems in accordance with the strategic needs of global buyers (Yeung 2007, pp. 7-9). The global buyers did not interfere with the structural or governance issues of business groups as long as sourced products met their quality and price demands, since there was usually no equity participation by such buyers in the Korean business group companies they were dealing with. Common transactional relations are in the forms of original equipment manufacturing (OEM), original design manufacturing (ODM) and/or, with licensing or franchising, original brand manufacturing (OBM) (Kim & Jeong 2002, pp. 2-6).

Under the ideal situation of such in-group complementary integration, economies of scale and efficiency would help to provide a competitive edge. What actually happened over a period was that in-group companies grew complacent with the quality and cost structure, since internal clients are usually uncritical customers, being group member companies. Such complacency later placed an added burden on business groups beyond high financial cost due to high gearing ratios.

3.4.7 Cross-subsidisation: Potential Moral Hazard Overlooked

Due to the de facto partnership between government and business groups, the sheer sizes of business groups came to matter more than their competitive performance. Once key strategic industry sectors were at the embryonic stage of development, the government often stepped in to mediate risks faced by those industries under its wing, including the offer of payment guarantees for foreign loans. In extreme cases, where companies on the preferential list of key industries faced a risk of insolvency, government intervened through the temporary freezing of debts and relief fund at lower interest rates, converting debt to equity, or encouraging financially strong companies to merge companies in hardship.
Large private business groups in crisis could potentially place the nation in economic difficulty. This is because of their relative weight in and impact on the national economy. The political nature of the economic policy of fast development also provided pivotal political legitimacy for military autocracy. When business groups grew large enough, they became ‘too big to fail.’ Potential moral hazards were brewing in this arrangement of symbiotic partnership, which was ultimately accountable to the public.

Cross-subsidisation among business group companies was not only financial in nature but also a political necessity, because of limited resources and the aggressive economic expansion policy of the government. As such, the risk arising from overextension of resources was intentionally overlooked, as long as the economic vehicles of export-driven national policy and private expansion kept running. The economic legacy of President Park’s military government continued uninterrupted with his succeeding military governments throughout 1961 to 1987 (Rowley & Bae 1998).

3.5 PHASE 2: GLOBAL EXPANSION

Business groups began global expansion to develop their foreign markets more aggressively by branching out or establishing overseas subsidiaries. In 1973, the Korean government introduced the system of the so-called ‘general trading company or corporation (GTC: or in Korean chonghap sangsa).’ This system was modelled after Japanese general trading firms commonly called shōsha. General trading firms functioned as export-import arms for group affiliates and other product-based companies to explore overseas markets and also help with sourcing of key raw materials from source countries on favourable terms of secure supply and advantageous price levels by achieving a scale of economy. Group export turnovers were annually aggregated under the wings of GTCs as flagship companies of business groups. This also created a severe competitive environment amongst business groups, as best performers received awards at highly visible government-arranged events normally attended by the head of state. Most of the global expansion of business groups occurred on the wings of GTCs (Lee 2004, pp. 238-242).

Business groups also promoted their corporate brand values through group-based

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advertisements in the international market for diverse products and services including those for major construction contractors. Business groups often succeeded through this collective promotion of group image in creating some household names now familiar to consumers worldwide.

3.5.1 Global Networks and Chains: Commodity Value and Production

Business groups through their flagship, the general trading firms, also shifted from simple marketing or contract seeking activities to the creation and expansion of ‘global commodity chains (GCC)’, ‘global value chains (GVC)’ and ‘global production networks (GPN)’. This process solidified their presence in each important local market of the world, catering to individual characteristics of market attributes. Such transnational processes linked different economies and countries together in a chain- and network-like configuration of business and economic activities, not only on behalf of group-affiliated companies, but also representing the national interest in terms of the broader economic agenda, since the volume of trade through business groups became a substantial share of the national economy in relation to client states (Yeung 2007).

Localised production also improved trade relationships with key export markets such as the US and EU, since Korea’s trade imbalance with these two major markets created trade and diplomatic tension over a long period, arousing protests from local industries and trade unions. This process meant the ‘multi-nationalisation’ of Korean business groups, since they became international local companies through outward foreign direct investment (FDI) (Chung, YI 2007, pp. 272-302).

Seen from a sociological point of view, the Korean economy participated in the so-called ‘world system’ through business groups and their global networks of products, values and manufacturing and services operating globally within this world system (Wallerstein 2000). This process represents articulation of products, values and services earmarked for and integrated into the global economy. Management and organization of business groups underwent a considerable globalising process in terms of sophistication and articulation comparable to those which occurred to the forerunner countries. According to the world system, smaller economies would constitute the so-called ‘periphery economies’ below ‘semi-periphery’ and ‘core’ economies in a cascading order of world system. Korean business groups helped elevate Korea
in this regard. Despite the global nature of this expansion, the business groups of Korea maintained the Confucian cultural undercurrents with regard to their organisational behaviour and the individual relationships they developed with their counterparts in overseas workplaces. Regarding why and how globalising business groups maintained Confucian attributes, the following sections will provide discussions.

3.5.2 Confucian Knowledge Economy and Innovation: Regional Innovation System ‘Clusters’ (RIS)

Global expansion of business groups placed heavy emphasis on education and lifelong learning attributes of the Confucian tradition when they branched out regionally or globally. Such an emphasis on self-cultivation, character building and education irrespective of age contributed to the strengthening of the intellectual basis for knowledge-based industry sectors where business groups endeavoured successfully to compete with their regional and global partners (Ungson, Steers & Park 1997). In the Confucian context, the concept of financial investment in a research and development budget remained nominal and represented a bare minimum. Knowledge-based industry required a long-term and ground-up approach to build not just a level of technology, but also a level of building character that helps see clearly the uncharted and risky course to follow in strategic decision-making (Ungson, Steers & Park 1997). Korea as a small land mass country endowed with few natural resources made a conscious decision to reach a high strategic plateau in the knowledge-based economic and industry sectors and extended this discipline when branching out, infused with the Confucian ethos of self-cultivation and education. In most regional joint ventures, this approach was well received and rewarded with a return on investment in the creation of individual and firm knowledge.

When China emerged as the so-called ‘factory of the world,’ Korea was one of the most active investor nations and also built a cluster of Korean industries within China. The success of this cluster is attributed to the ease in understanding Korean management as it, like the Chinese business, was based on a common Confucian heritage (Sutherland 2003). Development of regional clusters in China came on the heels of a decade of similar undertakings in South-East Asia where Korean firms established regional research and development centres and manufacturing sites, enabling the regional innovation system attuned to local demands with the participation of indigenous human resources (Turner & Kim 2004).
The head-start gained with this ‘regional innovation system (RIS)’ by Korean business group became significant when China and South-East Asia not only provided low-cost sourcing capabilities, but also grew into substantial local markets for locally produced goods of those affiliated firms of business groups. Intra-East Asia trade now is the biggest share for Korea topping the heretofore largest market the US.\(^{14}\) The critical balancing effect of alternative major export markets for export-dependent economies like Korea is significant when the traditional major markets such as the US and EU go through decline or recession. Added to physical working networks in place, the Confucian knowledge base helped with the continuation of competitive technology and stability of human resource management on local sites.

Such Confucian cultural attributes of Korea also made a contribution to building social capital with and within the regional partner countries sharing a similar tradition. Human capital developed under a favourable cultural setting is aided by such affective social capital (Richter 1999a). The so-called Korean Wave or Korean Fever emerged in the late 1990s through the early 2000s as a mix of pop cultures encompassing television dramas, films, pop music, fashion and others appealing mostly to the young generation. The popularity of youthful Korean cultural impacts has been prominent in Asia, including China, Japan and South East Asia. This aspect of mass culture is known to benefit the business of Korea through a halo effect of producing a favourable impression of products and services associated with Korea.\(^{15}\)

Geographically in Asia, together with China and Japan, Korea became an integral regional core member of the ‘Association of South-East Asian Nations (ASEAN) plus three’ nations. This trading region also made a number of bilateral trade arrangements with member nations, creating a mega regional trade block comparable to those in North America and Europe NAFTA and the EU. The shift of Asia from being a traditional source of inexpensive goods for America and Europe to becoming a major internal market of its own contributes to the stability of the regional economy, making it less vulnerable to the volatility of major markets and its follow-on effects on Asia. Both regional and global expansion of Korean business groups occurred in earnest under the government of Kim, Young Sam (presidency 1993-1998) under the national drive of globalisation (segyehwa) (Kim, EM 2000). This expansive program also involved liberalisation of the domestic market of Korea, particularly the financial and banking sectors.


\(^{15}\) Culture and Business Practice In Asia, lecture week 9, 2008 Global Studies, Royal Melbourne Institute of Technology.
Under pressure from the international community of trading partner nations and World Trade Organisation (WTO), Korean government lifted nearly all restrictions imposed on foreign interests. This liberalisation introduced a new momentum to the business groups and capital markets of Korea, accompanied by much greater global access as well as exposure to global volatility. This policy measure became one of the direct causes behind the Asian and Korean financial crisis, and, as a consequence, the overall restructure of business groups that will be discussed in the ensuing part of this literature review.

3.5.3 Critical Aspects of Vertical and Horizontal Integration

The government role in the creation and expansion of business groups has been critical, as discussed by the leading economic policy planners and academia of the era (Song, 1997). The industrial and financial policy of central government became the main determinants of why business groups came into being.

After WWII when Japan left Korea, the new government of Korea had old Japanese-held assets to dispose of. A selected group of business persons lobbied hard to get preferential allocation of these assets because those allocations required nominal down-payments with the rest payable over an extended period on instalments. Such favours were exceptional in the age of capital scarcity. These allocations and the dispersion of government-held foreign currency became the basis for business groups to grow in the embryonic period. The business groups’ search for preferential terms through a close relationship with government and political connections had already become a chronic habit.

The government at times offered trade barriers in favour of local business groups by precluding foreign competition from entering strategic sectors, thereby allowing business groups to enjoy monopolies. Government also chose certain business groups for takeovers of government-held companies, and provided various tax credits, preferential tariffs and loans to firms in strategic sectors (Chang 2003, pp. 43-44).

When vertical and horizontal integration took place on politically motivated strategic consideration rather than on the basis of economic rationality, it was to be expected that some adverse effects would occur amongst the member companies belonging to such business groups. Selling to member companies would incur no or minimal marketing cost. This amounts to lowering transaction costs. On the other hand, buying from member companies would exclude
open competition and may amount to heightening transaction costs due to the lack of fair
competition and possibility of moral hazard.

Many business groups fully aware of such advantages and disadvantages alike would establish
rules for internal transactions thus ensuring fairness and competitiveness. Due diligence in this
regard did not succeed very often because there was often a group level need to even out profits
between highly profitable companies and loss-making companies. This created tension with
external shareholders who may sacrifice their return on investment. Another tension arose from
taxation authorities who would consider these practices as possible contraventions of tax policy
through internal manipulation.

Such conflict can also spill over into labour relations, because employees of profitable
companies may have to sacrifice compensation for realization of higher profit returns due to
group policy. Tension of this nature would occur on domestic scenes as well as offshore sites,
often involving third party joint-venture partners.

In 1987 when government moved from military autocracy to liberal democracy, the new civilian
government owed much to the political backing of the labour unions and civil societies, including
advocates of economic rights for non-conglomerate small to medium enterprises and
shareholders with minority equity in business groups (Diamond & Chin 2000). According to the
International Labour Organisation (ILO), the labour union movement in Korea has been impeded
by government protection of conglomerates at the price of workers’ rights during military
governments from 1961 to 1987. When a civilian government came to power in 1987, it
represented a watershed for the labour movement in Korea. With mounting pressure coming
from the domestic labour sector, business groups preferred to open their overseas sites in
countries with strong government control over labour, whether unionised or not (Park 2002).
Some business group leaders chose to participate directly in politics by running for the
presidency or having their children become parliamentarians in order to build their own political
protection and to maintain or enhance the status quo (Kirk 1994).

Confucian ideals and governance system embedded in Korean business groups produced a
number of meritorious advantages for local and global enterprises. However, the Confucian
governance has not become institutionalised among global standards relating to financial
transparency, equanimity with all share or stake holders internal or external, fairness in labour management or healthy separation between economic activities and politics. This latent deficiency became more apparent over a period leading to the mid-1990s and drew closer to a potential crisis.

3.6 PHASE 3: CRISIS AND REFORM

In 1997, international bankers in Hong Kong and other financial hubs in Asia and other parts of the world started questioning the extended debt structure of several newly industrialising East Asian countries. To allay the suspicion arising within the financial circles of the world, the authorities of Korea, especially the Minister of Finance and governor of Bank of Korea, issued assurances that Korean economic fundamentals were sound, and beyond doubt. After Thailand, international major lenders alarmed by the complacency of Korean authorities started withdrawing loan portfolio from Korean banks, non-bank financial institutions and business groups without the usual rollovers. Banking loans outstanding with large conglomerates were under implicit mutual understanding between banks and large sum borrowers that on the loan maturation date, loans would be re-extended or rolled over with new repayment dates agreed on as a matter of formality. Within a few weeks, panic struck Korea as Thailand succumbed to the economic crisis. The International Monetary Fund (IMF) was called in for rescue funding. The central banks of the US, Japan and European Union also took part in offering rescue funding and also recommended their leading commercial banks that roll over existing loans or expand credit portfolios for Korea. The international community in return imposed through the IMF a very tight reform agenda for both banking and business groups of Korea. This crisis occurred during the presidential change-over from the government of President Kim, Young Sam to that of President Kim, Dae-Jung in 1997.

3.6.1 Opening to Foreign Capital and the Asian Financial Crisis

Technically speaking, the sudden outward flux of capital was the cause of the so-called ‘Asian Financial Crisis.’ On the other hand, the momentum towards the crisis has been developing, as mentioned earlier, for a number of years. Business groups relied on debt for unbridled expansion. The government encouraged such expansion. Lack of governance within and outside

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government sectors and business groups alike spelled a recipe for crisis already for a number of years (Hong, KS 2003).

In practical terms, commercial banks did not perform the usual due diligence of strict pre-loan credit analysis, because they were extending loans consistent with government policy. The Ministry of Finance intervened extensively in their lending practices and in setting interest rates, leaving bank managers with little latitude in their asset management, hence little accountability for the performance of banks.

Commercial banks maintained trust accounts, for which there were no specific exposure limits or provisioning rules on loans, and no reserve requirements, and yet they were just like deposits because the banks guaranteed both the principal and the yield. Such practices exacerbated the crisis. The government-owned specialised and development banks were not even subject to the minimal standards and supervision under which commercial banks operated (Sonu 1999, pp. 86-89).

Because banks lacked the ability to function properly, they began to require high levels of collateral as well as debt guarantees to protect their assets. Business groups in return offered debt guarantees for their affiliates. Business groups with more affiliates could extend collateral and debt guarantees as required by commercial banks and received better financial support for further expansion. Such flexibility led to skyrocketing of debt-equity ratios among business group affiliates and the government provided implicit support for such practices (Sonu 1999, pp. 86-89).

During the presidency of Roh, Tae-Woo (1988-1993), Korea had already come under substantial pressure from international quarters to adopt more stringent banking rules for business groups and their practice of cross-guaranteeing loans amongst member companies of the same business groups. To circumvent government control over their flexibility of internal loan guarantees and other methods of raising capital, business groups explored alternative methods of developing their internal and external capital markets. Access to capital remained critical for business groups, because Korea suffered from a chronic shortage of capital due to rapidly rising demand.

Business groups maintained centrally controlled group financial planning organisations to
coordinate priorities of investment, new ventures and fund allocation. Equity investment in new ventures was facilitated through cross-shareholding, joint investments and debt guarantees to new affiliates. Such financing practices made it easier for groups to create new affiliates rather than to diversify internally by adding business divisions.

Since government regulated or discouraged business group ownership of banks, they moved into less regulated financial services, such as merchant banking, insurance, securities and investment trusts. These affiliated non-banking financial companies were used to utilise reserves as their private vaults of groups. These financial service arms played a significant role in the expansion and downfall and fall of business groups (Sonu 1999, pp. 83-91).

When the government of President Kim, Young Sam lifted most of the regulatory restrictions and ceilings imposed on international borrowings by the financial and business sectors, the situation became uncontrollable (Hong, KS 2003).

3.6.2 Reform: Capital Structure and Governance
As soon as Kim Dae-Jung took office, he and his economic ministers launched a major reform of banking and business debt structure. As indicated in Figure 3.2, debt to equity ratio at the peak of 1997 was four hundred to six hundred per cent for a majority of so-called ‘big thirty’ business groups. The core problem was that there were a high percentage of short-term loans in the debt structure of business groups that in turn constituted similar debt portfolios of banks and non-bank financial institutions with heavy exposures to large business groups, according to the statistical record of Bank of Korea as attached in Appendix 4.3.1 (statistics). All commercial banks under the control of the government became effectively insolvent, seen from the perspective of the international banking community. The era of debt financing for growth or maintaining business of large groups came to a sudden end.

Having run out of capital, nearly all business groups and commercial banks had to restructure, merge or exit, according to the centrally coordinated policy guideline of Kim Dae-Jung’s government. What the so-called ‘DJ-nomics’ (Kim, Dae-Jung was popularly known as DJ) prescribed was a program of reducing the debt structure of business groups to the healthy

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average of the global corporate standard and making commercial banks also comply with the international banking standard of healthy reserve levels as prescribed by the Bank of International Settlement (BIS) (Bongini, Ferri & Hahm 2000).

Under-capitalised commercial banks received fresh equity from the central bank, and assets of insolvent unit companies of conglomerates or non-group companies were taken over by the state-owned asset restructuring agency. This measure was based on the understanding that problems arose because of the intrinsic departure from the accepted norms of international banking and corporate governance frameworks, despite the externality of financial deficiency. The government reform program ignored the short-term risk to the national economy by declaring some of the leading business groups insolvent for the sake of the longer term objective of bringing the national economy to normalcy consistent with global standards (Hong, KT 2003).

From the standpoint of policy implementation, capital account liberalization was not carefully prioritised nor supported by necessary internal reforms and prudential supervision of the system. There was a high level of complacency that clouded vulnerability of the economy to external contingencies. Weaknesses of corporate and financial institutions were overlooked. Evidence of attitudinal deficiency became clear when controls on short-term external borrowing by banks were eased, while control on medium- and long-term capital remained in place, exacerbating the already high risks at hand.

In facing such crisis, Korean public came to the acknowledgement that business groups are the main culprits of the crisis (Lim 2003). Rapid expansion and its capitalisation through loans pushed local commercial banks to go beyond normal long-term financing. Instead commercial banks met their funding needs by going for short-financing from overseas. When loans to business groups became non-performing, overseas lenders became concerned, and started to recall short-term loans to Korean banks. Such recalls were much faster paced than Korean banks and their customer business groups could meet, hence defaults started, and the central bank had to step in to stem the fast outflow.

Such restructuring called for an injection of public funds including international rescue funding. Any restructure plan required public support, since taxpayers are eventually liable to public funding. Civil societies were quite vocal about the transparency of the process of this major
national economic reshuffle. Large business groups with political backing were under the scrutiny of advocacy groups comprising nationally well-known advocates backed by substantial public support (Kwon 2002).

The governance framework of business groups based on Confucian ethics was not firmly institutionalised enough to function and respond to such a crisis. Any individual chief executive was interested in maintaining the reputation of the group and any given company they managed. Very few chief executives would raise objections with the central group management as to the way businesses and finances should be managed, given dramatically hostile circumstances. Institutional ethics versus the Confucian tradition of humanism emphasizing harmony came under severe test. Major reforms of business groups occurred under the political directives of the new government in 1997, and institutional frameworks of the International Monetary Fund and World Bank that were central to the ‘five conditions’ for their support in reversing the situation with the Korean government.

These five conditions were negotiated with the Korean government, and were agreed to without much objection. According to the government’s announcement of January 13, 1998, the so-called ‘five principles’ for corporate restructuring should be based on; 1) business groups introducing ‘combined financial statements’ \(^\text{18}\) and international accounting practices for furthering transparency, 2) the abolition of debt guarantee practices to avoid serial bankruptcies, 3) a concerted effort to reduce debts substantially and sell unprofitable assets, 4) a drive to improve international competitiveness by focusing on core businesses, and, finally, 5) an initiative to improve the governance systems of companies and enforce the responsibilities to minority shareholders (Kong 2000).

While these principles simply reiterated what the IMF and World Bank demanded in return for a bailout, in practice most of the suggested reform agenda has been forcibly carried out against substantial resistance from business groups and despite much pain caused in terms of multiple mergers, close-downs and lay-offs in both the corporate and banking sectors. The incumbent government had economic bureaucrats who held a view that business groups of Korea were as much the economic locomotives as they were at the core of Korean economic and social ills.

\(^{18}\) Combined financial statements would show the total financial picture of business groups, comprising group member companies, thereby net equity and debt will be made apparent with no allowance for overlaps.
They were impervious to political pressure from the right wing officialdom having heretofore flourished in partnership with the economic circle supported by the Korean system of business conglomerates. Out of thirty largest business groups, more than half have been dismantled during the reform period of 1997-2001 with no exception to any business group in terms of internal restructure both of group subsidiaries and debt to equity improvement (Coe & Kim, 2002).

Korean business groups as indicated earlier adopted not only the economic management skills of Japanese conglomerates, but also implicitly followed the tradition of corporate and commercial laws of Japan that favoured majority shareholders interests with minority shareholders left with incomplete dissemination of corporate information for the exercise of shareholders’ rights. Japan is known to have adopted ideas in the late nineteenth century from German and Austrian laws, whereas current international corporate laws are more in line with the legal bases of the US and the UK. Japanese laws were intended to extend comprehensive support to management and majority shareholders against possible hostile corporate takeovers, hence incomplete dissemination of corporate information for fear that such information might be used against the incumbents’ interest. This collective inward attitude served well the Confucian ethos of business groups, in particular, with those owned by families. Such an inward looking ethical orientation had to change in the face of rapid globalization by business groups and the need for a globally acceptable system of governance. But change in governance occurred under duress of political pressure and threats of exits during the crisis.

Dramatic changes occurred in the debt to equity structure of business groups during the crisis and reform period of 1997-2000, as seen in Table 3.2 covering five leading business groups. One of the five groups went out of business in 1998, as the group kept on expanding debt-based investment rather than undertaking consolidation as required by government reform policy.

During this reform period, compliance with the five-point reform agenda as mentioned earlier was strictly enforced despite brisk political manoeuvres by business groups. Debt to equity ratios have considerably improved, nearly halving their average debt ratio. As seen in the Table 3.2, business groups began issuing consolidated group financial statements showing the actual combined status of equity and debt of each group rather than simple aggregated financial statements as previously practiced. Aggregated statements did not specify overlaps occurring
### Table 3.2: Crisis and Financial Restructure of Five Business Groups

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<td>16.9</td>
<td>10.2</td>
<td></td>
</tr>
<tr>
<td>SK</td>
<td>Debt to Equity Ratio</td>
<td>468.6</td>
<td>240.4</td>
<td>133.7</td>
<td>226.5</td>
<td></td>
</tr>
<tr>
<td>SK</td>
<td>Number of Affiliates</td>
<td>45.0</td>
<td>41.0</td>
<td>39.0</td>
<td>57 (33)</td>
<td></td>
</tr>
<tr>
<td>Sum &amp; Average</td>
<td>Debt</td>
<td>221.2</td>
<td>234.6 (174.6)</td>
<td>141.1</td>
<td>155.4</td>
<td></td>
</tr>
<tr>
<td>Sum &amp; Average</td>
<td>Equity</td>
<td>46.9</td>
<td>69.9 (53.1)</td>
<td>96.4</td>
<td>69.0</td>
<td></td>
</tr>
<tr>
<td>Sum &amp; Average</td>
<td>Debt to Equity Ratio</td>
<td>477.9</td>
<td>329.5</td>
<td>144.9</td>
<td>230.8</td>
<td></td>
</tr>
<tr>
<td>Sum &amp; Average</td>
<td>Number of Affiliates</td>
<td>244.0</td>
<td>162.0</td>
<td></td>
<td>437 (137)</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1) 'Aggregated' means simple sum of affiliates.
2) 'Combined' means consolidated sum of affiliates under effective control of chairperson.
3) Financial service affiliates are excluded.
4) Numbers in parentheses refer to domestic affiliates only.
5) Amounts in KRW (Korean currency: Won) trillion.
6) Blank cells in Daewoo from 1998 due to their bankruptcy.

**Sources:**
1) Fair Trade Commission of Korea.
2) Financial Supervisory Service of Korea.
from cross shareholding and debt guarantees, impeding a correct representation of the net equity and debt of business groups (Shin 2005).

On the management side of the business groups, most of the chief and/or senior executives remained with the same groups in spite of reforms, shouldering collective responsibility for group-level reforms rather than individual company changeovers. Senior jobs rotated within the same groups under the aegis of same chairpersons. The way business was conducted underwent dramatic change mostly in financial terms, focusing more on profitable core businesses and ensuring financial health by maintaining low indebtedness. Confucian ethics as the management undercurrent did not alter fundamentally during the agonizing period of reforms as crisis and reform were not taken as a consequence of moral letdown.

Government and business reform progressed with substantial public support, with nationals rallying for higher savings and for earlier complete repayment in 2001 of the rescue loans from International Monetary Fund. Broadly seen as successful, this reform agenda is not a complete reformation of the way conglomerates perceive and manage governance of business groups that was at the core of both crisis and reform. The subsequent governments under new presidencies inherited the arduous task of implementing further reforms of business groups as their impacts on the economy of Korea and the business culture in general remain unmatched in their importance. The challenge of ongoing reform remains deeply rooted in the ethical and cultural orientations of those who either own or lead the business groups at the top levels. It is, however, nearly unanimously agreed upon that the challenge henceforth is how to fine-tune the current reform to global norms of governance without impairing the ethical underpinnings of Confucian humanism that have long served as the ethical foundation of business groups from birth and in their evolution (Lee, MH 2007).

3.7 PHASE 4: GLOBAL GOVERNANCE

Since the period of crisis and reform of 1997-2000, the domestic markets for most of goods and services including financial service have been opened to foreign entry and the holding of majority shares by foreign investors. The implications are that Korean business groups now face

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19 Quoted from the report in a Korean daily (Hangyore, 10 August, 2001), www.hani.co.kr, viewed 10 November 2008.
challenges of direct competition in the domestic markets heretofore dominated by them. Furthermore, such competition is supposed to freely happen, compatible with the common denominators of global corporate governance systems in every conceivable way. The time has already arrived for both fair competition and globalisation of governance as the next level of reforms for Korean business groups.

3.7.1 Global Confucian Convergence and Divergence

Post-reform change takes place not only on the surface where business groups respond to it. It also happens beneath the surface of the ‘iceberg (Peterson 2004, p. 22)’ of multilayered consciousness and the cultural embeddings of business groups. Winds of change would blow in the direction of increasing divergence by enforcing new ways of doing business. Confucian values deep-seated as subconscious forces would resist such winds of change. For these values for long helped navigate business groups to success. Such forces of change call for divergence from the status quo. While business groups expected to face such challenges of divergence from the familiar ways, such divergence instils the fear of losing the superior position in relative power in the market that has long provided secure distance from rivals in business with help of supportive politics. This fear also implies that business groups are in danger of moving away from the core of national economy. Conversely, the legitimacy as the central forces of national development comes under threat. The potential shift from such a core position to the periphery (Trompenaars & Hampden-Turner 2000) generates substantial anxiety.

Business groups have achieved a lot so far. But they have begun to realise that much of their ‘achievement’ is due to the ‘ascriptions’ (Trompenaars & Hampden-Turner 2000) of the national economy at the stages of strategy development and the implicit public support for their part in playing central roles in it. Under the new and divergent policies, rewards will be gained in return for their achievement and no longer as the privilege from ascription. Such sentiment is shared among the business and political elites, since much of their privileged position is ascribable to their mutual political and economic support for the likeminded entities with shared interests. The partnership for the creation of national wealth for both communal and individual needs becomes a basis for social capital of Korea. This social capital has been grounded firmly on mutual trust

20There is an emerging regime of the global corporate governance such as under the UN Compact on global governance, covered in Williams, Oliver F. (ed.) 2009, Peace through Commerce Responsible Corporate Citizenship and the Ideals of the United Nations Global Compact, Notre Dame Press, Indianapolis, IN.
and shared values (Fukuyama 1995).

At the root of the Confucian model of leadership, as seen with the senior management of business groups and their determinant values, lies a lifelong pursuit of self-cultivation and achieving superior personhood that also leads to the attainment of a monopoly of knowledge. This quest for a monopoly over knowledge (Foucault 1990) became a citadel for a convergence of power in the service of business groups and consenting political partners. Sharing the knowledge serving technology for business innovation is one thing. But sharing the inner knowledge about where the priorities of policies lie and the allocation of critical resources is another. Confucian management ethics worked well in terms of disseminating practical knowledge serving business needs. There remains, however, an enduring criticism of the way top managements tend to be protective about what they consider to be internal knowledge or policy, for such information may be integral to the external stakeholders’ interest. The chasm between the two divergent views on the sharing of the so-called critical knowledge remains unfilled (Jinn 2004).

The Confucian business ethics of Korean groups remained unchallenged during the period of inception and national expansion. Knowledge and resources converged at the central management of the groups. The forces of divergence have already transformed the landscape after the Asian financial crisis and government-led reforms that were in fact nearly identical to the terms of those international institutions aiding Korea. Forces of divergence are also in play with the conditions of culturally diverse markets in which Korean business groups are active, and at times become market leaders in the sizable economies.21 What success of this nature implies is that a cross-cultural approach to challenges of divergence can pay off.

Cross-cultural bridging over divergent cultural and economical territories is a process that needs to happen with the cross border expansion of business groups. Cross-cultural bridging would naturally face a more intense challenge, when expanding into the so-called ‘high context’ cultures such as China and India. Korean business groups have made sizable investments in both mega countries within key industries such as steel, automotive, electronics and

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21 Korean business group Samsung has been recognized as the most valuable brand name in China in the years of 2005-2008 according to Business School of Beijing University survey of 2008, as reported 11 November 2008 by Korean Economic Daily (KED), www.hankyung.co.kr., viewed 11 November 2008.
communications.

Business groups now have to learn to cross over and work with those partners of divergent cultural and historical backgrounds. As much as China shares a contiguous Confucian culture with Korea, modern political and social history separates Korea from China. The two countries psychologically converge at the Confucian ethos, but wide gaps exist between the social and political premises of the two divergent societies. These gaps are at both the conscious and subconscious levels, and remain undiminished (Peterson 2004).22

As discussed earlier, the liberal democratic polity of Korea today has brought the unprecedented range of divergent views in the evaluation of ‘pros and cons’ about the roles of business groups as social constituents. Scrutiny of business groups’ compliance with legal guidelines such as the Fair Trade Act watching over monopolistic conduct is just as severe in domestic market as anywhere else in the world (Kim, YK 2000). There is also mounting moral pressure on the ethics of leading business groups in relation to passing on hereditary chairmanships to succeeding generations by internally organising non-majority yet sufficient control over key group companies, thereby ensuring an undisputed transfer of chairmanship. Moral discourse centres on whether business groups should be allowed the transfer of hereditary leadership has intensified as a national contestation both in the courts and in the media.

Domestically and globally business groups face little option but to reassess, rethink and move with the necessary changes both endogenous and exogenous. One of the principal ethical challenges confronting business groups comes from the crisis of global climate change that has a direct bearing on how products are to be designed and produced henceforth. To lead business in an energy conservation-friendly direction or otherwise has become a central business and ethical issue for the largest conglomerates, since they are prone to incessant energy hunger inevitably coming from their key roles in the process of industrialisation. Confucian ethics traditionally honours the human to nature nexus (Tu 1998), whereby humans are considered family members coming from Mother Nature, placing human dignity on a continuum with nature, without confronting nature as the object of conquest. The process of and priority on the industrialisation of East Asia has long looked the fundamental role of Confucian ethics. There is

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22 Peterson refers to the multi-layers of conscious and sub-conscious cultural settings with a metaphor of an iceberg in this book.
a new awakening to the realization that adopting an ethical approach to global climate change as a part of problem as well as a potential solution provider would in fact mean return to the very foundation of Confucian ethical teachings.

3.7.2 Globalising Confucian Economic Ethics and Ecology

The impetus for reform and restructuring of the business groups came from outside the country in form of the financial crisis. Problems were waiting to happen internally, because the governance system was weak and the financial structure was over-extended to support an insatiable demand for resources on the part of fast-expanding business groups.

The government used rescue refinancing as a means of expediting the restructuring and reform of internal governance of business groups centred on core families. This sweeping change of the business group system in Korea took place primarily as a government program to restructure the financial system, whereas the restructuring through dissolution of Japanese conglomerate (*zaibatsu*) was enforced by the Occupation Forces as a means to prevent rearmament (Chung 1996). Both countries saw overall changes happening to those leading economic actors and subsequent restructuring through the impetuses coming from outside. Business groups are not only economic actors but also heirs to cultural traditions and averse to change unless compelled to.

As a result of the reform agenda, government of Korea achieved important outcomes in broad terms by year 2000-2002. Three of those outcomes are noteworthy. Firstly, restructuring occurred within the business groups in terms of concentrating on key competences and core businesses. Secondly, substantial improvement in the financial structure occurred through the elimination of cross loan guarantees and unproductive assets. Thirdly, the corporate governance system has been strengthened with the introduction of long-term sustainability of business systems in synchronization with global practices (Choi 2004).

Another important result, unintended yet expected for some time, was foreign capital participation in both the business equities and the capital markets of Korea. Foreign stakeholders also took part in direct shareholding in banks with some major commercial banks becoming foreign-controlled. Foreign entrants insisted on fair and strict enforcement of Korean laws, favouring none in principle.
Reforms were carried out in a relatively short period without contemplating in depth sound economic rationale and the force of cultural embeddings. Despite short-term visible outcomes, self-motivated reform had to wait until business groups were ready after weathering the storm. In some instances, business groups could out-manoeuvre the government reform program by means of the so-called ‘workout program’ whereby banks were induced to merely extend the lives of already insolvent group companies.

Civil societies and non-government advocates enlivened their role as watchdog over business groups and their reform agenda. They also became severe critics. Organisations such as People's Solidarity for Participatory Democracy23 influenced public perceptions of business groups in relation to reform and restructuring often supported by public funding. Protection of minority shareholders’ interests, heretofore neglected, has become one of the focal points as well. Minority shareholders gained ground successfully against major groups, now having to agree to fairness in accordance with legal guideline. Public awareness also significantly downgraded the central role of chairpersonship that used to be a hereditary practice rather than playing clearly defined legal roles. One of the practical measures taken to hold chairpersons legally accountable as the public demands was to appoint and register chairpersons as legal chief executives of specific group companies. In so doing, they would be held legally responsible for the actual performance of each company.

Foreign takeovers, particularly hostile ones, of group affiliates still remained difficult, because business groups managed to retain a substantial level of cross ownership amongst member companies. However, due to this significant new openness, foreign market capitalization has increased to over one third in total of the Korean capital market from 2000 onward. There still remains a fear that a fast in-and-out-flux of capital can destabilize the economy and the business groups. There remains an issue of transparency about corporate disclosures, as it may take time to internally adjust what used to be proprietary information. In a nutshell, the broad aspect of governance stands at the centre of the ongoing reform business groups are undergoing. One of the major ethics and governance challenges that Korean business groups are facing with more willingness is the global climate crisis and ecological change.

The Federation of Korean Industries as an organisation representing the views and priorities of business groups made a landmark declaration on ecology and climate matters through the so-called ‘Ecological Management Declaration for Sustainable Development.’ This declaration is resonant with the similar declaration made in Japan in 1997 by the Japan Business Association (Keidanren) for the adoption of a voluntary climatic and economic action plan by Japanese industries in support of Kyoto Protocol. Industries of both countries are now committed to global solidarity in reversing the crisis of climate and ecology. This new framework of ethical economic conduct poses a new challenge to endogenous governance in that compliance would incur extra costs for the short term at least.

The contemporary Neo-Confucian reawakening to the classic Confucian principle of human to nature inter-dependence is poised to contribute to the global ecological movement (Tucker & Berthrong 1998). Instead of external crisis-driven reforms, business groups are now more inclined to move the ‘green’ direction of their own volition as they wish to be identified as environment-friendly business groups. On the heels of post-crisis reforms, Korean business groups also faced an intensifying ethical challenge in relation to global ecology. Having participated as the central actors in the process of fast industrialisation, business groups came to reflect on the Confucian ethical nexus with nature as to whether and how they can contribute to averting an ecological crisis.

In collaboration with Japanese colleagues, Hans Küng (Küng & Schmidt 1998), a dissident Catholic theologian and a renowned global ethicist, together with Helmut Schmidt, a former German chancellor, offered an important platform of global ethics complementary to the current human rights regime, namely, the Universal Declaration of Human Rights. They organized two global declarations under ‘A Global Ethic and Global Responsibilities’ in 1998. They called for a philosophical turnaround so that ethical awakenings coupled with a readiness for human responsibilities could work hand in hand with the current regime of human rights. A holistic approach would be needed with combined ethical forces of human responsibilities, economic justice and human dignity. Such approach is both necessary and practical in order to meet the current challenges of the globe in peril. This philosophical approach resonated with the Confucian ethos of East Asia. The Küng and Schmidt initiative received substantial support from

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East Asian nations and leaders in both scholarship and politics.

Westra (2005), an environmental ethicist and policy practitioner, described how a global awareness to bring back a just balance to the human to nature relation led to intellectual and organisational activities to meet the challenge. In 1972, nations gathered at Stockholm and agreed that environmental protection should be added to the core agenda of the United Nations. They agreed that a new global regime of environmental and ecology agreements should be deployed in conjunction with peace, human rights and equitable social and economic development. This belief was supported at the 1992 Earth Summit at Rio de Janeiro. In 1994, the Earth Charter Initiative worked to develop a document that would start by accepting the complete interdependence of humanity with global natural systems and was intended to involve all countries and nationalities. This initiative called for ethical compliance or ‘soft law’ obedience.

This Charter and other efforts by the likeminded also led to the creation of an International Draft Covenant of Environment and Development,\textsuperscript{25} with the third draft of 2004 under evaluation at the UN since 2005. Whereas the Earth Charter is an ‘ethical vision’ or ‘soft law,’ the International Covenant of Environment and Development, once agreed to and ratified by nation states, would become an international “hard law” to observe. Westra argues that the global belief systems such as the Confucianism of East Asia that supports reciprocity of respect for humanity and nature now face challenges to deliver on their belief in terms of ethical action beyond the self-interest of preserving the economic status quo.

3.8 SUMMAR Y

This third chapter in the thesis covered the development and evolution of business groups and their cultural embeddness.

At the core of reforms and counter-reform inertia, the question of governance remains the central issue for both business groups and broader society. As regards what governance constitutes and implies, Confucian perception of business ethics has had an important bearing. Scholarly views suggest that Confucian business ethics, however, have to evolve and accommodate more openness and cross-divergence in step with the globalisation of civil society.

For business groups wish to survive and thrive within the globalising nation of Korea with a new perception of what the society aspires to within the context of global civil society (Steger 2008).

Chapter Four will comprise narrative data of discussants’ views together with documentary corroborations, where necessary and available, to support the views expressed through thematic discussions.
Chapter Four: Research Strategy

4.1 INTRODUCTION

The preceding Chapters Two and Three were the review of scholarly literature as the first element of the research strategy, as indicated in Chapter One. This chapter constitutes the second part of the research strategy. It summarizes the narrative data. This narrative data comprises the summary of focus group discussions and documentary corroboration sourced from public and corporate sources in relation to the discussion content.

Discussions followed a thematic framework. A questionnaire was developed comprising the broad theme illustrated in Diagram 4.1. These questions were formulated around key research themes and related questions pertaining to practical aspects of the themes. After a preliminary set of questions was organised, an initial test was conducted to verify the relevance of the questionnaire involving a small selection of potential discussants. With the necessary modifications, the questionnaires were used to trigger unstructured discussions rather than seeking simple consents or disagreements. Selection of discussants was made from five key performers of corporate functions critical to research themes working at a senior level in five business groups, consistent with the guidelines of the Swinburne University ethics clearance regarding anonymity and confidentiality. All discussants were given aggregated initials such as SSP or DIG without reference to specific business groups or departmental names as seen in Appendix 5.2. The questions relate to how Confucianism has remained in the foundation and evolution of Korean business groups. They also relate to how Confucianism both as a belief system and a way of life has impacted upon management and governance frameworks. The last one of these themes and questions relates to whether Confucianism and its societal implications are in accord with the globalizing corporate citizenship.

The thematic summary follows the main narrative themes and the contents of the focus group discussions. The themes relate to (A) whether the principles of the ethical management practices of Korean business groups were founded on Confucianism, (B) whether current management ethics are still based on Confucianism, (C) whether Confucian management

1 Appendix 5.1.1: Confidentiality Agreement.
practices are instrumental in fostering global strategic advantage, and, finally (D) whether Confucian humanism nurtures global corporate citizenship.

While following on the thematic arguments of the above, the evolution of business groups has been broken into four meaningful phases and periodised into four phases. These four phases of evolution come under the headings of: (3.3) Phase 1 for inception and national expansion, (3.4) Phase 2 for global expansion, (3.5) Phase 3 for crisis and reform, and (3.6) Phase 4 for globalization of business groups and governance.

The summary of each main theme broadly follows the progression of (1) defining of the evolutionary process, (2) main triggers of the process, (3) underlying Confucian ethics, (4) related business and cultural theories and practices, and (5) impacts and outcome of the process.

4.1.1 Four Themes through Ten Questions to trigger the ‘Unstructured Discussions’

To induce unstructured focus group discussions around key research themes, the following four themes and ten related questions were deployed.

Theme I: Confucianism as the Foundational Ethics of Korean Business Groups
   Question I-1: Is the ideal pursued by the business group founders based on Confucianism?
   Question I-2: Do the Confucian ethics or ethos apply to the business groups to state relationship?

Theme II: Confucianism as Current Management Ethics
   Question II-1: Does the Confucian ethic or values system continue to play an important role within the current management?
   Question II-2: Is Confucian ethics conducive to the maintenance of a peaceful labour-to-enterprise relationship?
   Question II-3: Have Korean business groups outgrown the unfair advantages of preferential access to capital and protective trade policies?

Theme III: Confucianism as Global Strategic Advantage
   Question III-1: Does the Confucian tradition of self-cultivation and life-long education contribute to the creation of firm knowledge on every level?
   Question III-2: Does the knowledge creation nurtured by Confucian ethics contribute to the strategic advantage such as in gains in intellectual property?

Theme IV: Confucian Humanism nurtures Global Corporate Citizenship
   Question IV-1: Is the Confucian family-oriented ‘ownership-to-management’ structure
evolving to be a globally compatible governance model?

Question IV-2: Has globalization of the firm brought a fundamental change to the traditions of Confucian business ethics or ethos?

Question IV-3: Does the Confucian belief in the unity of humans-to-nature contribute to enterprise ethics in their support of global ecology and environment?

With the above set of thematic questions, collection of narrative data proceeded in accordance with the following methodology.

4.2 METHODOLOGY

The main method of data collection was through focus group discussions, aided by documentary corroboration coming from corporate and public sources. The underlying principle of this qualitative research is based on phenomenography that helps explore the relationality (Bowden & Green 2005) of research subjects and phenomena, as shown in the Diagram 4.1.

4.2.1 Focus Group Discussions

The narrative content was obtained through a series of small focus group discussions during 2007-2008, with the use of a questionnaire. For those discussants who could not attend the small group meetings, ‘one-on-one’ interviews were conducted. These groups averaged three to five persons excluding the convenor, namely, the researcher.

The small groups were composed of those with similar jobs in each business group. Discussants were chosen from among those who have an interest in and/or understanding of Confucianism beyond their occupational skills offered to business groups. The ‘focus group’ approach was a part of the research strategy to collect qualitative data. This approach was adopted in order to facilitate joint exploration of the key ideas.

The invitation letters containing the confidentiality terms, attached as Appendix 5.1, were sent out in 2007 to the selected discussants. The discussions and interviews took place in Korea. Follow-up communication ensued via email and telephone. On completion of the focus group discussions and interviews, participants totalled five for each job function and twenty five in total. Details are given in Appendix 5.2 about their job functions and or fields of engagement.
In compliance with the ethics guidelines\(^2\) for this research, anonymity and confidentiality in respect of discussants’ identities, organizations and their views were assured. Discussants have been given acronyms bearing no relation to their real names or to their groups. Appendix 5.2\(^3\) carries these acronyms with aggregated occupational descriptions.

Most of the discussants showed substantial interest in the research topic and the discussion themes. The small groups gathered in relaxed meetings, mostly of two hour duration, and they enjoyed the conversational dialogues. There was general support for the process in that the discussants felt that they were participating in the creation of communal knowledge rather than simply responding to a research questionnaire. The convenor refrained from offering any opinion, with his function in the focus groups being limited to that of facilitator.

4.2.2 ‘Phenomenography’: ‘Relationality’

The Diagram 4.1 schematically illustrates the methodological framework of using phenomenography in this qualitative study. In view of the research subject being Confucianism as a belief system and the evolution of business groups as a collective living body of Confucianist philosophies, the study focused on relationality among the subjects. This aspect of phenomenography explores relationality or a relational view of the world. The phenomenographical approach supports a deeper understanding of the perspectives of individual and social constructs in a defined cultural setting. The individual construct sees internal mental acts as being an explanation for external acts and behaviours, while the reverse is true for social construct. Conversely, the conceptual dualism is to be avoided, as it chooses to focus on either an inner or outer world as being an explanation for the other (Bowden & Green 2005).

In devising the focus group discussions, care was taken in the context of phenomenography and its relationality implications. Particularly, care had been taken to ensure that the focus of the research is maintained on the object of study, the relation between the subjects and the phenomenon, rather than on the researcher’s own relation to the phenomenon. This was done to make sure that the researchers were not allowing their own understanding of the phenomenon

\(^2\) Swinburne University Ethics Clearance of this research was made on the basis of anonymity of the discussants and confidentiality of their material.

\(^3\) Appendix 5.2 is a condensed tabulation of discussants’ representation in terms of professional engagements.
to be imposed on their interpretation of the ways the subjects see the phenomenon. By so doing, a summary of the discussions of the group were obtained to analyze and map out how the group as a whole sees the phenomenon, represented in a range of ways.

![Diagram 4.1 Phenomenography: Relationality](source: Bowden & Green (eds.) 2005, pp. 11-14)

### 4.3 SUMMARY

The above scheme of the research strategy is also supported by other research elements introduced in Chapter One. These supporting research elements are literature reviews and documentary data in parallel with narrative data. These research elements support the principle of phenomenography as discussed above.

Consistent with this research strategy, the following Chapter Five offers the discussants’ views as narrative data with necessary documentary corroborations.
Chapter Five: Data Analysis

5.1 INTRODUCTION

This chapter proceeds with the record and thematic analysis of the narrative data obtained from focus group discussions, comprising twenty-five senior managers of Korean business groups. Their aggregated acronyms, as shown in Appendix 5.2, represent the business groups and their occupational functions. SSP would indicate that the person is working for S business group as a senior person responsible for strategy and planning. DIG would mean that the discussant works for D business group and works in the capacity of managing investor relations and governance matters. In other words, the twenty-five acronyms are combinations of five business groups of S, H, L, K and D, and five functional criteria of Strategy and Corporate Planning, Global Product Network, Research and Development, Labour Relation and Investor Relation and Governance. Hence, twenty five discussants are given acronyms as:

SSP, HSP, LSP, KSP, DSP, SGN, HGN, LGN, KGN, DGN, SRD, HRD, LRD, KRD, DRD, SLR, HLR, LLR, KLR, DLR, SIG, HIG, LIG, KIG and DIG.

The discussions were on the themes and questions presented in the questionnaire, but were intentionally unstructured to explore the depth of the views. The following record and analysis outlines the four discernable phases of business groups, namely, firstly, the birth and national expansion phase, secondly, the international expansion phase, thirdly, financial crisis phase, and lastly the post-crisis reform phase.

5.2 PHASE 1: Inception/National Expansion

The first phase in the evolution of business groups covered in this chapter represents the period of business groups coming into being since the 1950s and 1960s and their expansion primarily within the national market. Summary of discussion broadly covers, but is not limited to, the process of and circumstances around this inception, the main triggers for national expansion, undercurrents of Confucian ethics of the era, and the outcome of
the process. Each summary of discussions hereunder carries an aggregated acronym of the interlocutor.

5.2.1 Classic Confucian Ethics and their Influence on the Inception of Business Groups
The discussant DRD discoursed upon quite diverse and somewhat controversial aspects as to whether contemporary Koreans believe they are Confucian adherents or not. DRD agreed that Korean family lives and interpersonal relations are based on Confucian ethical principles. The leading religions of Korea, according to the latest governmental census of 2003 as attached in Appendix 4.3.3 (statistics), are Buddhism (25.3 per cent), Protestant Christianity (19.8 per cent), Catholicism (7.4 per cent), Confucianism (0.4 per cent), other religions (1.0 per cent) and no declared religious affiliation (46.1 per cent).

DRD also mentioned: ‘Statistics can be quite misleading. According to the 2003 census of Korea, as referred to in the above quoted Appendix 4.3.3, declared Confucians are 0.4 % of population or 0.7 % of those declared religious adherents.’ He suggested that more factual findings were possible through in-depth surveys with the use of more concrete questions such as those regarding Confucian practices, e.g. ancestral worship and family rituals. He argued that more than half of the non-religious adherents together with the Buddhists, Protestants and Catholics follow ancestral veneration in some form based on Confucian norms. They maintain their family and other human relationships based broadly on Confucian ethics. DRD also mentioned: ‘The official statistics about Confucianism are confounding our belief that Korea is one of the most Confucian nations in East Asia. This official figure is extremely low. But it actually reassures us that Confucianism still remains the mental undercurrent of nearly all Koreans, while it may not be an organized religion.’

The discussant HLR made several observations in relation to the very first National Confucian Academy in history of Korea or Sŏnggyun’gwan. This institution remains in existence today, albeit without the state imprimatur it formerly enjoyed. Its current abode is within the campus of the Seongkyunkwan University in Seoul. This institution lost its status and influence, simply because no religion can by law be a state religion in contemporary Korea. The origin of the word Sŏnggyun’gwan came from the combination of ‘sŏng-gyun’

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1 Appendix 4.3.3 (Statistics): Survey of Religions and Adherents of Korea: 2003.
2 This state Confucian academy was established by the Koryŏ Dynasty (935-1392) of Korea in 992 and became the central academy of advanced studies for those select scholar-officials chosen to serve throughout the period of the Yi Dynasty (1392-1910).
(realisation of equality) and 'gwan (institution).' He also opined on the motivation behind the decision on the naming of this critical institution. He suggested that 'sŏng-gyun' came from a verse in the Rites of Chou. Its intention was self-explanatory in that this institution was established to educate and train the scholar-officials and, in the modern corporate context, senior executives of business groups to serve the people and the sovereign or chairpersons alike in order to realize the equality of benefits to all.

The discussant HIG contributed the opinion that 'sŏng-gyun' represented the principle of balancing the sagely rule of the sovereign in the interest of social stability vis-à-vis the potential abuses of sovereign power. He highlighted the significant historical role played by Tung Chung-shu (circa 195-115 B.C.E.). Tung was the leading Confucian scholar of the Han dynasty and played a pivotal leadership role in the elevation of Confucianism to be the state orthodoxy. It was a major triumph over the diverse philosophies and ideologies that mushroomed during the period of the Hundred Schools of Thought. Tung re-emphasized the Mencian virtue of maintaining political equilibrium between the sovereign and the commoners, as well as the need of factoring in a remedy against the possible abuse of power (Min 2000).

The discussant LRD offered a parallel argument that Confucianism is not an organized religion. He suggested that the low official figure is misleading in that Confucian values and norms still remain deeply rooted in the minds of the religious adherents of any persuasion and also of those with no declared religious persuasion. He emphasized that this low figure reassuringly indicates how deeply Confucianism has become entrenched in the Korean tradition. Organized proselytizing religions have not succeeded in eliminating Confucian thinking and rituals from the minds of their followers.

The discussant SRD brought up the ideal of the mythical founding father of the nation, Tan’gun, in relation to Confucian humanism and often associated with founding ideals of

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3 Tung Chung-shu (Dong Zhoungshu: circa 195-115 B.C.E.) was a scholar in the era of the former Han dynasty (206 B.C.E.-8 C.E.). He is credited with the elevation of Confucianism as the official state ideology of China.
4 chu-tzu pai-chia (zhuzi baijia: The Hundred Schools of Thought) was an era of great cultural and intellectual expansion in China which lasted from 770 to 222 B.C.E., also known as the Golden Age of Sinic philosophy and which spanned the Spring and Autumn period and Warring States period.
5 Tan’gun is a legendary founding father of Korea. The history of Korea written during the Koryŏ Dynasty (935-1392) records the foundation of Korea as having taken place in the year of 2333 B.C.E.
business groups. The ideal was called the ‘broadest possible benefits to humanity’\(^6\) and became embedded into Article Two of the Basic Law of Education\(^7\) of contemporary Korea, maintaining the same ideal proffered in the founding of the nation. The concept of devotion to the welfare of humanity and humanitarianism predates the inception of Confucianism in Korea. The three traditions of Confucianism, Buddhism and Taoism are known to have fused with this foundational ideal that goes back to the very founding of the Korean nation. The discussant also suggested that humanism remained central to the public perception of what should constitute the basis of social policies such as that regarding education. Confucian humanism had contributed its share to this firmly established concept in contemporary Korean society.

5.2.2 Business Groups: Inception and National Expansion

The discussant SIG contributed an overview of how Korean conglomerates are qualified according to Korean laws. The government and public refer to Korean business groups as the thirty largest business groups in Korea. Every year the government would publish such a list of thirty leading business groups together with details of the affiliated companies under their wings. This annual practice of compliance both by business groups and government is within the guideline of the so-called Fair Trade Act (FTA).\(^8\) The tip-over percentile is thirty per cent of ownership or beyond. If any person, or his/her direct relations or affiliates under their control own over thirty per cent, this ownership contravenes the Act.

The discussant LSP outlined the basic difference in character between Korean business groups and Japanese business groups or networks called *keiretsu*. LSP advised that *keiretsu* is a voluntary association of corporations that was established after WWII upon Occupation Forces dismantling the pre-war business groups called *zaibatsu* (Miyashita & Russell 1996). *Keiretsu* have similar features to Korean business groups. They would have member companies, some measure of cross holding, exchanges of senior executives, inter-group transactions, and joint-pursuit of communal investment opportunities. During the reform period of the 1990s, these networks of business underwent substantial changes in terms of increasing openness. Some reforms, including those of banking sector, involved mergers between other business groups which is unprecedented. These cross-group

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\(^6\) *Hong’ik In’gan* (the broadest possible benefits to the humanity).
\(^7\) Chapter One: Article Two of the Basic Law of Education, the Republic of Korea, as amended November 2005 prescribes for ‘the Ideal of *Hong’ik In’gan*, namely, the ‘broadest possible benefits to the humanity.’
\(^8\) Fair Trade Act of Korea is in full ‘Monopoly Regulation and Fair Trade Act’ of Korea.
mergers sometimes involved foreign partners, expediting the process of spurring more openness and global governance. This new openness would represent a substantial departure from the practices of Korean business groups that maintain focussed and concentrated power in the hands of chairpersons and/or their families (Choi & Yoon 2002).

The discussant SSP offered to trace back the close working relationship that was already developed in the early stages of business groups. After WWII, the new government of Korea was engaged in the disposal of former Japanese assets left in Korea. This new government also relied on foreign aid, particularly from the US, for modest foreign exchange reserves. Since such assets could be bought on long-term instalment, it was very attractive and lucrative to business groups. In the process of disposal of government-held assets, business groups became the major beneficiaries, enabling them to lay the financial foundations for the eventual formation of the large business groups we see today. Business groups also managed their lobbying with government successfully so that scarce foreign exchange reserves could be allocated through them. Such foreign exchange was a medium for large profit-making opportunities, since foreign exchange was used to import critical items in demand, yet in dire shortage in Korean market (Lee 2004, pp. 61-69). The discussant emphasised that this political orientation in the Confucian context of Korean business groups had been embedded in the embryonic stage.

The discussant HSP offered an insight into how business groups teamed with in-group companies making multiple products to set out pricing policy to broadly benefit all member companies. Not unlike other corporations around the world with multiple products, Korean business groups tend to even out their overall margins across turnover covering all products by cross-subsidising less competitive products with more competitive ones with higher margins (Deng & Yano 2006, pp. 741-744).

This matter could be considered an unfair or even unlawful practice in the eyes of the minority shareholders of any given publicly-listed high performing companies, because such artificial evening out of the profit or loss level from the group point of view runs counter to the interests of non-group shareholders. The Fair Trade Commission of Korea repeatedly warned leading business groups after a series of investigation into such unfair internal practices, before and after the crisis period of 1997-2000 (Kim 2008). HSP added that such practices may not have come to an end to date.
5.3 PHASE 2: GLOBAL EXPANSION

5.3.1 Neo-Confucian Collectivism
The discussant LSP highlighted in different ways the relevance and relationship of Confucian humanism to the evolution of the Korean nation, especially in contemporary times, and its impact upon Korean social and economic policy. LSP pointed out that the foremost Confucian reference to humanism can be traced in the teaching both of Confucius and Mencius about human centrism or demo-centrism. Confucius laid a broad foundation for humanism through his teaching about humanity encapsulated in the Analects. Mencius provided more specific ideas about Confucian humanism by emphasizing the importance of demo-centric concerns in the work bearing his name (Legge 1970, pp. 125-179). In this work, Mencius wrote about sharing the Confucian Way of governance with the incumbent King Hui of Liang. The discussant argued that this view of Mencius, in particular, became a milestone in the Confucian tradition of humanism, also known as Mencian human centrism or the Mencian doctrine of human dignity (Lee 1996). The discussant added that the Mencian idea of Confucian humanism is not only related to morality, but is also concerned with the basis of keeping up human dignity such as a sovereign’s duty to provide for the subsistence of the people and to guarantee the mental space for freedom of thinking.

5.3.2 Business Groups and Global Expansion and Integration
The discussant SSP probed into why business groups saw potential for further growth through branching out into unrelated fields, in addition to the related diversification and vertical integration (Kim & Jeong 2002) that has already taken place. It was because by so doing the groups could benefit from government subsidies of various kinds, and because it also helps their competitive standing vis-à-vis rival groups. This motivation led business groups to go into duplicated investments such as electronics, petro-chemicals, the car industry, heavy engineering and shipbuilding. Since there was lack of supply chain infrastructure to support such large demands, they also went vertically into components and raw material ventures by creating subsidiaries.

The discussant KRD explored diverse sides to the motivation and method of expansion in relation to business groups. There has been an overriding perception that business groups

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9 *jenpen chui* (*renben zhuyi*: human centrism or demo-centrism).
are in pursuit of growth at the expense of profits. Superficially observed, this approach is not a rational option. KRD insists that this approach should be seen in a holistic sense. Business groups played the commercial arms of national development on behalf of the government in the process of economic development of a nation endowed with very little natural resources but a reasonably well-educated and disciplined workforces. Large business groups diversified into many industry sectors, crowding out otherwise successful small or medium enterprises. Diversification brought on added risks in the process. However, such diversification made possible business groups’ involvement in the strategic industry sectors of the nation, while diverse business sectors potentially reduced the risk to chairpersons and/or their families’ fortunes. Other incentives made diversification of given groups into non-core businesses possible. Such incentives included subsidies, tax relief, protection against competitive imports and other preferential or protective measures (Choi, JP 2000).

The discussant DSP examined how business groups coordinate resources amongst their companies. Legally speaking, these companies are independent. In reality, they all come under the aegis of chairpersons. While legally chairpersons are not chief executives of the firms, chairs would effectively exert control over them through cross-ownership and by having hand-picked senior executives serving chairs at each company as chief executives. Hence, chairs are real chief executives for all of the companies, while legal ‘representative directors’ of each company act as unit managers performing their business managers’ roles on behalf of the chairs, as seen in Appendix 4.2.2 (table). Business groups normally have centralised organizations overseeing chief executives of member companies. Such organizations could be the office of secretaries,¹⁰ group planning office and/or assemblage of presidents. This group-level executive organization sometimes engages in determination of intercompany transaction pricing either to subsidise under-performing member companies or to reduce the taxes payable at group level (Sonu 2007).

The discussant SRD offered a view on how business groups benefit from consolidating research and development resources within the given business groups. Business groups have already undergone vertical and horizontal expansion and integration processes. The sheer number of companies has become too numerous for a single chair to oversee all of

¹⁰ ‘office of secretaries (pisŏsil)’: This type of organization is manned by trusted functionaries of chairpersons, with expertise in such disciplines as financial services, strategy, human resources and legal affairs.
them. Business groups have created subgroups, thereby moving similar or neighbourly businesses under the same umbrellas. These sub-groups would share research and development resources including human resources and intellectual property rights (Jinn 2004). This arrangement is problematic in terms of transparency and governance in the eyes of minority shareholders outside the family circles of chairs. Potentially one successful and profitable company with expectations of high returns for investors would sacrifice profits for another under-performing company to serve the group-level interests of chairpersons.

This practice is in direct contravention of the commercial laws of Korea that specifically define the legal responsibility of all directors of any given company registered under the laws of Korea (Song 1996). This practice could become a disservice to the creative potential of individual employees or executives because their rewards will be measured more in the light of their contribution and loyalty to groups instead of being objectively measured for contributions made. Business groups are acutely aware of such downsides coming from the consolidation of resources, either human or material. As a countermeasure, business groups have developed internal monitoring and evaluation systems and intra-company or group venture opportunities to sustain the entrepreneurial spirit even within the multilayer organization as shown in Appendix 4.4.2 (diagram).

The discussant HRD expressed a view on the effect of diversification in relation to the business portfolios of group companies. The first consideration was to reach economy of scale. Second one was to maximise use of productive capacity. As diversification progresses both in product ranges and industry sectors, the issue of the cohesiveness of such diversification became an important matter both for business persons and for government. The effectiveness of and/or return on diversified investments became a more acute consideration, whether involving directly related, partly related and/or unrelated industry sectors and product ranges (Robins & Wiersema 2003).

Despite advice from government authorities to concentrate on core competence or core businesses so that resources and skills could be shared, business groups went ahead uninterrupted with diversification into those areas and products directly related, partly related and/or unrelated. The Fair Trade Commission of Korea monitored the ‘extent of
diversification' ¹¹ with business groups according to 'Korean Standard Industry Classification (KSIC).'

The discussant SRD looked into the issue of operating efficiency in relation to diversification. By sharing diverse resources within group companies, the strategy of business groups was aimed at the maximisation of both short-term and long-term profitability. However, SRD argues that the reality was that short-to-medium-term profitability was often overlooked or intentionally sacrificed in the expectation of long-term strategy and profitability on business group level. In other words, synergy through diversification was sought on the group level. Profit as the extra source of cash flow was also at times overlooked in the interest of the group-wide financing plan, involving the so-called 'strategic funding,' i.e., low interest loans made available through government policy.

The discussant KRD contributed the view on what positive or negative impacts occur as a result of vertical and/or horizontal integration happening with business groups. By becoming mutual suppliers and customers within the same group, companies would gain in saving the cost of goods sold, advertising, marketing expenses and general and administrative expenses, thus enhancing profitability. Some factors are more significant than others, depending on the types of products or services each company offers in the supply chain. This formula, KRD warned, could have a serious long-term drawback. Due to a lack of open market competition, the competitiveness of each company wanes with the passage of time. Likewise, each company may become victim to higher cost because purchases are made in absence of competition from outside (Chang 2003).

The discussant DSP expanded on the ambivalence of Korean economic development and the role of government and business groups. Active government leadership was shown in the series of Five Year Economic Development Plans. These ambitious plans involved strategic industry sectors with potential for risk-taking being large in scale, and new in nature. Such sectors could breed further upstream and downstream industries as extant in Japan or in Germany to the envy of Korea, and a model to emulate. The government persisted in steering strategic new industry sectors with large export potential (Lim 1998).

¹¹ The measure known as 'entropy of diversification' was also considered, but was not fully reflected in the policy of the Fair Trade Commission of Korea.
The government also persisted in the allocation of necessary capitalisation, particularly for export-oriented industries and the heavy and chemical industries, which were seen as stepping stones to eventually competing with the industrial giants of Japan and Germany.

All commercial banks became de facto nationalized after the 1961 emergence of the military government led by President Park, Chung-Hee (Cho & Kim 1991). Commercial banks thereafter ceased to exercise their due diligence with pre-loan credit examination. They became instead financial instruments for the government’s industrial policy and resource allocation. The Bank of Korea (BOK), as the central bank of the republic, also came under the supervision of the Ministry of Finance. The BOK hence lost their role of independent monetary policy maker on such issues as setting interest rates and discount rates. The government stepped even further in support of strategic industries at the stage of infancy.

In some cases, the government offered guarantees to secure foreign loans for industrialization. DSP argues that risk-taking took place within both the public and private sectors to pursue common goals. Having guaranteed loans for specific strategic sectors, when such firms got into financial difficulties the government had to arrange relief, such as through converting debt into equity. This situation led to the belief that once business groups sitting on strategic industry sectors with large critical masses of assets represented the national interest beyond that of business groups. Business groups became ‘too big to fail.’

There arose a measure of moral hazard in aggressively pursuing goals combined with forcible measures.

The discussant LSP expounded upon what became the direct driver for business groups in their structuring of business and also what determined their management pattern. At the centre of this consideration, LSP argues, lay the availability of low interest rate loans made available by complying with government policy guidelines. The interest rate offered to exporters was substantially lower than market rates in both banking and extra-banking commercial market, as seen in Figure 3.1. This incentive system made debt financing attractive and contributed to the rise of debt-equity ratios within Korean business groups. In other words, business groups engaged in financial opportunism by being strategic

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12 ‘too big to fail’ (taema pulsa: literally means ‘horses big enough can not die’).
business enterprises with export capability. Due to such direct government intervention, the banking sector has been devoid of self-growth and impetus towards an open and competitive capital market.

The discussant HSP highlighted the fact that there has been a chronic cash flow shortage irrespective of group or non-group businesses, due to high demand for the capital necessary to fuel fast growth and expansion (Hwang, Jiang & Wang 2007). The Korean capital market could not meet such demands during economic development, as most funding had been prioritized according to government economic policy. Business groups found it necessary to meet the demand for capital by pooling investment resources among affiliates to create and fund new ventures. Funding allocation followed the order of strategic priorities. Such an internal capital market was made necessary for lack of well-developed open capital markets. The significance of an internal capital market is that strategic advantage can be obtained by meeting objectives and funding needs on a timely basis.

The discussant HIG expressed a view with regard to how business groups would determine the primary objectives and where they would place priorities, when group-level investment is made. According to him, business groups make their investment decisions primarily to promote and maximize the growth of the group strength (Lee 2004). To increase firm value of individual companies would come next, if not neglected. Business groups would place group profitability beyond that of individual companies, as discussed earlier in this chapter. Decisions on sources of internal and external capital, namely, debt financing, would be made more frequently on a group level than by individual companies. The cost of capital would remain nearly identical to all group companies despite individual company standings. In search of the most favourable cost of capital, as well as secure sources of capital, the non-bank financial arms of business groups played pivotal roles during the era of rapid expansion. The capacity of financing was the foremost determinant of expansion of business groups rather than pre-secured markets or newly developed marketable products.

The discussant LIG shed light on another critical aspect of the business group and its ability to grow in terms of being able to mobilise capital internally and from outside. Due to chronic shortages of capital because of fast expanding industry and an even faster growing demand for funding, the critical aspect of business groups’ survival and expansion was
how well they could generate capital internally and externally. As shown in Appendix 4.4.3 (diagram), the government implicitly allowed business groups were able to internally grow their financing capacity. Through mutual investment and debt guarantees, subsidiaries of business groups to expand their investment opportunities in new ventures created internally within subsidiary companies or externally by creation of new subsidiaries. They could create much larger critical mass than their net worth, and hence were eligible for larger banking facilities. As such, the creation of new ventures meant creating new credit facilities (Hwang, Jiang & Wang 2007).

Since the government did not allow business groups to directly own majority shares in commercial banks, business groups took an alternative financing path by creating in-house non-banking finance companies such as merchant banks, insurance firms, securities firms and trust companies. Such non-banking in-house financial services played critical roles in the further expansion of business groups (Kim, Jung & Kim 2005). Such a convenient sword, however, was double edged. During the financial crisis of 1997-2000, such in-house finance firms became the eye of storm and the very cause of downfall of a number of business groups.

The discussant LIG expatiated on business groups and their participation in the partial privatisation of commercial banks undergone during the presidency of Roh, Tae-Woo (1988-1993). The Roh government relaxed the restrictive policy imposed on business groups with regard to ownership of commercial banks. Business groups could purchase substantial shares of commercial banks, if not majority shareholdings. It was sufficient to influence commercial banks to render services congenial to the interests of business groups. As seen in Appendix 4.2.1 (table), business groups owned only non-controlling levels of equities in commercial banks. Groups, however, could mobilise substantial influence on them through their own non-banking finance subsidiaries e.g., insurance services, investment trusts, securities firms, merchant banking and venture capitals, all important client bases for commercial banks (To & Ryu 2000).

The discussant DLR described the scope of the changes that affected the business groups of Korea during the presidency of Chun, Doo-Hwan (1981-1988) who succeeded as another military government leader after President Park’s demise in 1979. The government of Chun came under substantial external pressure for corporate and banking reforms.
because international lending organizations were alarmed by the rapidly increasing indebtedness of Korea. Both the IMF and the World Bank asked the Korean government for a substantial reduction in government spending, tightening of the money supply and stabilisation of the economy.

The US as the single largest market for Korea put substantial pressure on the government to liberalise Korean regulations and create openings for direct foreign investment and equity holdings. Excessive investment in large scale projects, such as heavy equipment and chemical industries, became substantially burdensome on national current balance. The labour movement heretofore relatively inactive became militant. The focus of economic development in the 1980s shifted to liberalization and privatization. It helped decrease direct financing to business, reduce inflation, reduce subsidies for exports and focus more attention to welfare matters of the nation under the so-called fifth and sixth five-year economic plans (Corbo & Suh 1992).

The discussant LGN commented on the changing circumstances of trade relations for Korean business groups. From the 1980s onwards, Korea faced severe competition in export markets from low wage countries such as the newly emerging China and South-East Asian countries such as Indonesia for labour intensive products. Due to the expanding Korean export profile, trade pressure on Korea mounted from those countries with trade balance problems with Korea such as the US and the European Community, consistent with the rules of World Trade Organization (WTO) that became active in 1995. Hence the Korean domestic market has undergone substantial liberalization for foreign participation.

The discussant KRD contributed a view regarding human capital side (Lee, JW 2005) of business groups that nurtured technology, management know-how, and helped create global brands. Business groups moved the focus of their businesses from the early stage of labour-intensive industries to more knowledge-intensive industries as Korea moved in 1990s from being a low wage country to a medium high wage country. This swift change in the labour market occurred during Kim, Young-Sam’s presidency (1993-1998) and his
policy of so-called ‘internationalization’\textsuperscript{13} and ‘liberalization’\textsuperscript{14} policies of the YS government.’

The discussant KLR described a somewhat unusual period of relationship during the presidency of Roh, Tae-Woo (1988-1993). Although Roh was an ex-general, he came to power in 1987 through a political compromise with civilian political leaders as a response to severe civil resistance against a prolonged series of military governments. Business groups did not agree with many of the policies of the Roh government in relation to group matters. Some business groups openly opposed or resisted government policies. The government of Roh pushed for the trimming down of business groups and their affiliations. It also pressed for a reduction in the holdings of real estate interests held by business groups on the assumption that such funding of real estate interests is unhealthy and speculative in nature. Business groups were also asked to choose and concentrate on only three core business sectors. Resistance by business groups effectively diluted much of the government policy agenda, because business groups could mobilise sufficient political leverage over what was considered a weak and inefficient government with little public support (Diamond & Shin 2000).

5.4 PHASE 3: REFORM

5.4 1 Reawakening to Neo-Confucian Ethics: ‘Practical Learning’

The discussant SLR shared his view about the important social and political roles played by those private Confucian academies (sŏwŏn) located in the provinces outside the capital, despite the centrality of the state academy. Establishment of these academies was encouraged by the leading Confucian scholars such as T’oege (1501-1570) to make Confucian education and self-cultivation available nationwide, though under the constraint of the national resources available to the central government.

The discussant also mentioned that the number of private Confucian academies (sŏwŏn) peaked at approximately one thousand during the era of King Yŏngjo (reign 1724-1776), which the central government reduced to approximately seven hundred to stem overgrowth. These academies not only grew in number, but also became bastions for philosophical and

\textsuperscript{13} Internationalisation (segyehwa).

\textsuperscript{14} Liberalisation (chayuhwa).
political factions. From them, provincial power struggles arose and the factions built their political influence around them. The Yi Dynasty (1392-1910) of Korea saw the extremities of factionalism spilling over into bloody political struggles. The discussant emphasised that this factionalism was due to political intolerance engendered by the orthodox Confucian monopoly over knowledge and power. Those orthodox Confucians, according to him, could not evade responsibility for spawning the protracted struggle for legitimacy among the intransient regional Confucian factions.

The discussant HSP offered his view that the modernization of the Yi dynasty in Korea had to go through the institutional reform of Confucian education as a start of national policy. The Regent Taewŏn’gun (reign 1863-1886)\textsuperscript{15} closed down approximately six-hundred and fifty provincial Confucian academies out of seven hundred in a gargantuan sweep, leaving only forty-seven academies. The discussant added that, while this regent was fully Confucian in heart and mind, he had to rid his government of faction-hardened Confucian academism in order to advance a reform policy. The discussant also mentioned: ‘The provincial academic factions were also associated with the major family clans who produced influential political figures. The regent Taewŏn’gun had to contain political pressures exerted by the leading family clans such as [those] of Kwangsan Kim and P’ungyang Cho.’

The discussant KLR observed that the major challenge to Confucian humanism during the Yi Dynasty (1392-1910) in Korea was exposed and debated by the Neo-Confucian branch of the so-called Practical Learning (\textit{sirhak}) school. The motivation came from their humanitarian concern about those socially underprivileged. The discussant referred to the example given by a prominent Practical Learning scholar-cum-writer Pak Chi-wŏn (1737-1805). Pak, in spite of his Confucian upbringing and his scholar-official social status, wrote the major ‘social novel’ entitled the \textit{Biographic Story of Lady Pak of the Hamyang Clan} (Kim 1987). This story was a major moral awakening to the Confucian orthodoxy that dominated the society of the time and that allowed extreme gender injustices against womanhood, in particular, those widowed. In spite of the overarching Confucian moral teachings for humanity, the Yi dynasty failed to abolish gender discrimination, honour of seniority, patriarchy and, most importantly, the slavery system. The discussant offered the

\textsuperscript{15} Regent Taewŏn’gun (1820–1898) with the birth name of Yi Ha-ŭng was the father of the reigning monarch and conducted three periods of regency in the years of 1863 through 1896, exercising royal powers effectively equivalent to the reigning sovereigns.
view that Confucian humanism brought tangible social sympathy and support for those marginalized in the Confucian social hierarchy thanks to the efforts by the likes of the writer Pak of the Practical Learning School. The other major social novels by Pak included *The Saga of Scholar Hŏ* and *The Scolding Tiger* (Pak 1965).

Both works satirized the Confucian scholars failing miserably in delivering on their moral teaching about the acute needs of society, to the extent that the storyteller employs the ‘critical tiger’ in scolding the scholar for having no real concerns about the social responsibility of looking after the poor and the underclass. The discussant also alleged that the writers of the Practical Learning School chose to use their literary skills of storytelling to arouse social awareness without directly jeopardizing the status of Confucian scholar-officialdom and factional allegiance.

The discussant DLR concurred on the contributions made by the School of Practical Learning in raising Confucian social awareness for the entire community beyond the self-interest of the scholar-officialdom. This discussant argued that such a social campaign helped reorient Confucian thinking toward a more pragmatic social policy agenda. This new agenda of Confucian societal humanism during the 17th and 18th centuries was commonly called the ‘pursuit of truth from facts or real events (Kang, et al., 1998),’ the ‘functional utility for popular welfare’ or the ‘salvation of the world and wellbeing of people.’

The other leading figures in this campaign were Yu Hyŏng-wŏn (1622-1673), Yi Yik (1681-1763), Pak Che-ga (1750-ca 1804), and Jŏng Yag-yong (1762-1836). These Confucian humanists have a large following to this day in Korea.

The discussant SLR pointed out that such a social enlightenment drive by the School of Practical Learning had only limited success, since the Confucian political mainstream in officialdom remained untouched and unmoved by what was perceived as a non-official social agenda. He brought up as an example a work by a major twentieth century Korean writer Yi, Kwang-su (1892-1950) who wrote *The Heartless* (1917) (Lee, ASH 2005), wherein the heroine from underprivileged social origins follows an extraordinary path through life due to her social standing. Such gender or class-based social ills remained largely unchanged from those same injustices fought against in the seventeenth through to

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16 Introduction (pp. 7-34): ‘*silsa kusi* (pursuit of truth from facts or real events), *iyong husaeng* (functional utility for welfare), *kuse chemin* (salvation of the world and wellbeing of people).’
the early nineteenth centuries by those progressive Neo-Confucians of the Practical Learning School. This work by Yi and others such as Sim Hun (1901-1936) who wrote The Evergreen (Sim 1996) mobilized a great social sympathy. The Confucian ethic faced a challenge from this Confucian humanism with a new level of intensity.

5.4.2 Crisis and the Reform of Business Groups
The discussant KIG commented on the overall situation when Korea faced a sudden foreign exchange shortage with no choice other than to apply for emergency funding from the IMF. The central bank, the Bank of Korea (BOK), responsible for managing foreign exchange reserves for the nation, was left with only a small balance. Sudden demands from overseas to withdraw loan portfolios without the usual rollovers placed both local banks and companies in a predicament. The BOK on the other hand was not in a position to help them out either.

KIG emphasised that the situation as such did not allow the government of Korea any realistic choice other than to negotiate with the IMF and the World Bank on level ground. The conditions and guidelines coming from the IMF and the World Bank more or less determined what has crystallised into the reform and restructuring policies of the Korean government.17

The discussant KSP explained the details of the ownership structure of business groups as indicated in Diagram 3.1. The owner structure follows the so-called ‘circular scheme.’ The ownership scheme comes in two forms. Some of those enterprises are owned by a chairperson and/or family, while others are held through affiliated companies acting as proxies. Due to the Fair Trade Act introduced in 1983 restricting excessive equity holdings by the chairperson and their family, the level of equity holdings has come down since 1983. But this measure by the government prompted the increase of affiliates, because the family of the chair can increase stakes indirectly through growing the number of these affiliates (Do & Ryu 2000).

Since the same Fair Trade Act also restricted the cross-shareholding to a maximum of 40% of its net assets of each individual affiliate, the act helped decrease such holdings from

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40% in 1987 to 32% in 1989. During the 1997-2000 crisis, the government dictated that business groups reduce debt-equity ratios by bringing in foreign partners or by selling assets. Groups did release new issues, but in the end groups bought back these issues through their affiliates with the proceeds from the issues. Business groups were subject to penalties in case of exceeding holding limits, but these were nominal and did not succeed in forcing a change of behaviour of business groups in this regard (Kim 2008).

The discussant SIG offered the view that in-house financial services of business groups became the focal point of the crisis and reform efforts. As seen in Table 5.1 on ‘in-house non-banking finance firms of business groups,’ the thirty largest business groups went their own financial services for internal and external clients. When the government during the presidency of Roh, Tae-Woo (1988-1993) relaxed regulations over financial services, business groups expanded their participation not only by raising their holdings in commercial banks but they also created or expanded non-banking financial arms of their own.

SIG emphasised that when there was a shortage of funding within the group companies, such in-house financial firms engaged primarily in creating a cash flow for group affiliates. These financial concerns also created overseas branches or subsidiaries of their own or through joint ventures. SIG highlighted the fact that the government effectively lost control over how much such in-house financial firms borrowed from overseas including short-term loans (Kim, Jung & Kim 2005).

The Bank of Korea as the central bank had statutory responsibility and kept a record of what commercial banks borrowed from overseas so that balance of payment with national current accounts could be maintained at a safe level. In-house group-affiliated finance firms circumvented such statutory guidelines; hence their foreign liabilities were not on record with the central bank in their entirety. This discrepancy was a matter of serious concern to the major international financial institutions with large exposure to Korea, whereas the Ministry of Finance and the Bank of Korea dismissed such concerns (Kwon 2002). In a nutshell, the financial arms of business groups became the focal point of the financial crisis that fell upon business groups during the crisis of 1997-2000.
### Table 5.1

**Business Groups and Non-Bank Financial Service Firms**

<table>
<thead>
<tr>
<th>Business</th>
<th>Insurance</th>
<th>Securities</th>
<th>Merchant</th>
<th>Consumer</th>
<th>Investment</th>
<th>Credit</th>
<th>Factoring</th>
<th>Venture</th>
<th>Capital</th>
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<td>Finance</td>
<td>Advisory</td>
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<tr>
<td>Samsung</td>
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The discussant DSP commented regarding the restriction imposed by the Fair Trade Act on cross-shareholding. It was meant to restrict business group families from obtaining total control over all affiliates while they held only minority equity in these companies. As an example consistent with the scheme shown in the Diagram 3.1, the chairperson and family may typically own only five per cent of equity with net capital of thirty million dollars. Net capital is invested through core companies which in turn invest in each other core companies’ equities. This means in net there is no increase in capital but in terms of chair family influence it doubles.

Core companies in turn invest in affiliated companies and let those affiliates invest in each other. Such network building in the format of a pyramid enables gross influence typically equalling four hundred million dollar equity. If business groups intend to maintain four hundred per cent gear ratio, the group may be able to raise a one billion dollar debt, building totals asset of 1.4 billion dollars.
The discussant LIG presented his overview regarding the Asian financial crisis of 1997-2000 and about what happened to the so-called thirty largest groups. Highly leveraged business groups were the main victims of this crisis, as seen in the Appendix 4.2.5 (table). The chain reaction of insolvencies and bankruptcies occurred during this crisis. Ten out of the thirty largest groups faced three hard choices. The first was to file for voluntary bankruptcy. Without voluntary action, the second choice was forced bankruptcy proceedings. The third choice was to gain the temporary relief of government-sponsored emergency loans through banks, narrowly escaping bankruptcy.

Those receiving emergency loans were technically bankrupt and were subject to debt restructuring under government guidance and carried out by banks. Troubled groups shared two common attributes. They either had high debt to equity gear ratio or they overextended their capital resources for the sake of capital expenditure (CAPEX) investment in large facilities requiring long-term investment. One example was the fourth largest business group, which established car factories all over the world, with widespread use of affiliated debt guarantees, thus expediting its path to bankruptcy. As a result of the crisis and restructuring, only half of the thirty business groups survived, while the other half also had to go through major restructuring of their financial systems and structure of group affiliates.

The discussant HIG added that the ceiling on ownership by foreign investors in the Korean equity market was lifted and increased substantially during the 1997-2000 reforms as suggested by the IMF and agreed to by Korean authorities.18 This commitment to drastic openness to foreign capital was made through the Korean government’s official response in writing in July 1998 to the IMF proposal of December 1997. This was a moment of tip-over towards an overall opening of the Korean economy to the rest of the world and joining the global family of capital markets.

HIG also contributed the observation that demands from the IMF included an improvement in corporate governance structures and compliance such as the adoption of an international accounting system. Korean business groups, in particular, were asked to exercise a high level of transparency in their public disclosure of corporate information by

means of ‘group combined financial statements’ in place of simple aggregated financial statements of individual companies issued under the Korean accounting system.

The discussant DIG explored into looked at how business groups conducted internal transactions to meet short-term intercompany financial or taxation needs. DIG offered some examples of such internal cross-subsidization. Affiliated companies would purchase the promissory notes of other affiliated companies at adjusted prices in the form of an indirect subsidy.

Since the Fair Trade Commission of Korea prohibits such practices', business groups sometimes employ indirect intercompany financial support by channelling funding through commercial banks. Cash rich firms would make deposits with banks so that banks in return can extend loans to the designated affiliated companies. Certain business groups would create offshore investment fund facilities. Thereafter such fund companies would purchase bonds issued by affiliated companies at agreed/adjusted prices in order to extend financial support to their affiliates. Through these examples, DIG emphasised that laws including the Fair Trade Act have limitations. Only internal governance and the integrity of management can steer business in the right and desirable direction (Do & Ryu 2000).

The discussant KIG commented on the ‘cash flow’ picture of the pre-and post-crisis periods. As detailed in Table 5.2, business groups had a visible distortion in their cash flows before the beginning of the crisis in 1997-1998. There had been an extreme imbalance between the capital demands for long-term investment versus meeting such demand through raising short-term loans. Individual companies cannot afford to run business based on such a working capital arrangement. Business groups could pool and manipulate their cash resources through the use of means beyond normal financial practices. In-company financial service firms were at the centre of managing highly leveraged operations.

KIG maintained that during that period such practice was a norm of the business community around group affiliates (Jinn 2001). This high level of insecurity amounted to an apparent vulnerability in case of unexpected circumstances such as the sudden recall of loans by major lenders from overseas. From the early stage economic development plan era of the 1960s, high gear ratio was an inevitable choice, but such chronic practice
became a way of life for most of the business groups leading up to the crisis, with a few dear exceptions.

KIG also observed that a breach of governance would frequently occur in the process of raising debts on corporate bodies because directors, who were mostly handpicked by chairpersons, would neglect due process by not seeking consents from minority or public shareholders, effectively diluting the values of equities through raising gear ratios without prior understanding (Kang, Kim & Bae 2001).

Table 5.2: Cash Flow of Business Groups 1995-2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Internal fund (%)</th>
<th>Equity issue (%)</th>
<th>Long-term Loan (%)</th>
<th>Short-term loans (%)</th>
<th>Subtotal (%)</th>
<th>Total (%)</th>
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<tbody>
<tr>
<td>1995</td>
<td>36.8</td>
<td>1.4</td>
<td>12.2</td>
<td>49.6</td>
<td>63.2</td>
<td>100</td>
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<tr>
<td>1996</td>
<td>22.4</td>
<td>1.3</td>
<td>12.7</td>
<td>63.6</td>
<td>77.6</td>
<td>100</td>
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<tr>
<td>1997</td>
<td>12.3</td>
<td>1.1</td>
<td>11.0</td>
<td>75.6</td>
<td>87.7</td>
<td>100</td>
</tr>
<tr>
<td>1998</td>
<td>12.6</td>
<td>2.2</td>
<td>22.6</td>
<td>62.6</td>
<td>87.4</td>
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<td>1999</td>
<td>17.4</td>
<td>9.5</td>
<td>10.1</td>
<td>63.0</td>
<td>82.6</td>
<td>100</td>
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<tr>
<td>2000</td>
<td>25.0</td>
<td>2.8</td>
<td>13.6</td>
<td>58.6</td>
<td>75.0</td>
<td>100</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Investment in production facilities (%)</th>
<th>Investment in securities (%)</th>
<th>Short-term financial investment (%)</th>
<th>Short-term operating capital (%)</th>
<th>Others (%)</th>
<th>Total (%)</th>
</tr>
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<tbody>
<tr>
<td>1995</td>
<td>8.1</td>
<td>1.4</td>
<td>1.4</td>
<td>83.7</td>
<td>5.4</td>
<td>100</td>
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<tr>
<td>1996</td>
<td>9.2</td>
<td>1.3</td>
<td>1.6</td>
<td>87.7</td>
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<tr>
<td>1997</td>
<td>7.1</td>
<td>1.6</td>
<td>1.5</td>
<td>84.8</td>
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<tr>
<td>1998</td>
<td>4.9</td>
<td>4.5</td>
<td>1.6</td>
<td>76.5</td>
<td>12.5</td>
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<td>1999</td>
<td>4.5</td>
<td>5.8</td>
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<tr>
<td>2000</td>
<td>8.8</td>
<td>4.3</td>
<td>0.9</td>
<td>76.3</td>
<td>9.7</td>
<td>100</td>
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</table>

Source: Choi, SR 2001, Han’gugii taegyumo Kiupchiptan (Big Business Groups in Korea).
The discussant SIG offered an opinion that the crisis and reform of 1997-2000 was inevitable even in the event of no pressure from outside. For both government and the business community of conglomerates maintained far too long a dangerous level of inertia averse to change and to adapting to fast changing external environments. When the government moved from centralised economic planning to policies of liberalization in the 1980s, a vacuum of consistent or adaptable policies was created on both the government and business sides. Control was absent in government capacity to oversee what level of international liabilities business groups and their non-banking finance arms incurred.

Business groups expected to be rescued by the government in the worst scenario of insolvency. Both government and business groups failed to objectively appraise their own situations and responsibilities in relation to each other, much less be prepared to face unforeseen major contingencies such as a financial meltdown. SIG believes that the crisis and the response to it through necessary forms served as a much needed cure of what was inevitably coming to be a major national ill. SIG also believes that by establishing a new set of governance systems both for internal prudence and external accountability, business groups have an opportunity to re-emerge as more viable players in the global market.

The discussant LSP reviewed what has transpired as a result of the so-called ‘Big Deals Scheme’ during the crisis and reform era of 1997-2000. This scheme was designed by policy makers to consolidate industries and encourage business groups to re-focus on core competencies and core businesses only. This program covered major industrial sectors that eventually changed the landscape of Korean industry and subsequently the standings of business groups among their peers. Industries under such forcible reform included semiconductors, electronics, automotives, petro-chemicals, aerospace, railroad vehicles, power generation facilities, ship engines and oil refineries (Lee, IK 2000).

All of these industries are either capital-heavy and/or technology-intensive ones. This policy was a reversal of the government policy of 1970s when business groups were encouraged to launch into these fields then new to them. In a way this policy is to undo what was an unsuccessful outcome of the previous government policy and allocation of limited national resources. From the nature of these large capital outlay industries, long-term investment is necessary before profitability is achieved. But under the dire situation arising from the national financial crisis, the rationale of government was based on
an immediate need to stem the haemorrhage by eliminating over-capacity or duplication of investment (Lee, IK 2000).

According to LSP, from the standpoint of business groups who had to give up what they considered to be core businesses, this policy was extremely unfair and not based on rationality, particularly in view of the origination of such businesses in government policy. For example, a major electronic company lost its semiconductor sister company, placing it at a disadvantage in competing with their rival electronic company with same product range. A traditional heavy equipment company took over an oil refinery from a major energy company, weakening internal synergy (Lee, IK 2000).

On the subject of the outcome of ‘Big Deal,’ the discussant LIG added that many business groups became disgruntled as they believed those who could better manoeuvre politically came out as winners. Some would even question if government had performed due diligence in evaluating the best options. Others would argue that the then incumbent government wanted to show what would be speedy political point-scoring in the eyes of wary citizens and the international financial domain. Indeed, a number of restructured new companies continued to haemorrhage, requiring further government financial support.

The government of Kim, Dae Jung (presidency 1998-2003) was elected with the landslide support of those living in the areas where limited economic benefits were created through business groups in the region. Hence, when the financial crisis occurred, his supporters would consider business groups as the main culprits. Forcible reform of business groups under the Big Deal scheme was popular among those supporters, but this popularity was short-lived.

The discussant SIG offered a related observation to the effect that further government intervention in banking practices should desist, in particular, as regards loan-related decision-making. The next steps consistent with the non-intervention principle would be to facilitate bankruptcy procedures with the removal of any subsidy for or bail-out of affiliates.

The discussant DIG observed that during the Asian financial crisis of 1997-2000, the World Bank emphasised the need for ‘free market entry and exit’ as a part of financial restructure coordination with the government of Korea. Such measures required strengthening of the
Fair Trade Act so that free unimpeded competition is guaranteed without any legal impediment against ‘free market entry and exit.’ President-elect Kim, Dae-Jung sought to recover confidence from the global capital market. Reform of business groups became a cornerstone of such reforms. The reforms of the Kim, Dae-Jung government were made public on January 13, 1998 and included five core restructures, i.e., 1) adaptation to international the accounting system and transparency, 2) abolition of inter-company debt guarantees, 3) debt reduction, 4) focus on core competence/businesses, and 5) due respect for minority shareholders. The World Bank requests and the responses from the Korean government were both broadly consistent with the terms of the IMF arrangement for providing ‘stand-by’ facilities for Korea in 1997 (Hong, KT 2003).

5.5 PHASE 4: GLOBAL GOVERNANCE

After the crisis and subsequent sweeping reforms, the business groups of Korea embraced the globalization of their way of doing business, in particular as related to governance that emerged as the single most compelling issue raised by both local and international public and financial sectors. Discussants covered this process and development as follows.

5.5.1 Confucian Tolerance and Ecumenism

The discussant HRD made an observation on the compatibility between Confucian ethics familiar to Korean tradition and rising Christianity within Korea. He noted that, as seen in Appendix 4.3.3 (statistics), Christians both Protestant and Catholic represent over 40 per cent of religious adherents in Korea. He believes that Confucian traits are nearly omnipresent in the Korean mentality irrespective of religious affiliation.

However, discussant KRD offered a contrary view. He asserted that the pragmatic impulse of secular Confucianism recognized the overarching implications of the new political paradigm arising from Western science, economic supremacy and democracy that were and are identified with the newly arrived Christianity, in particular, Protestantism.

KRD further argued that the majority of Confucian students studied this new Christian paradigm as a major new discipline to learn in earnest rather than for religious conversion. Conversion took place as a consequence of the intellectual pursuit. His view was that today almost one Korean in four is Christian. On the other hand, nine Koreans out of ten are
Confucian in all practical respects. These figures, evidently contradictory, can be illusory, since they merge into each other as mutually non-exclusive identities. KRD placed emphasis on the Confucian attributes of ‘universality and tolerance’ to its humanistic moral teachings free of any allegiance to a messianic saviour or any promise of salvation (Koh 1996).

He further argued that the pain and hardship experienced throughout the convulsive history of modern Korea called for messianic salvation beyond any passive moral teachings. The Protestant Christian mission from the West filled this void. Confucianism has no specific venue for salvation. It offers a way instead. Those suffering hardship and despair look for spiritual consolation and would tend to turn to religions which promise salvation.

Both discussants agreed that in Korea Confucianism on the one hand and Christianity or Buddhism on the other can be complementary. Hence, ecumenical religious tendency is prevailing in Korea. As an example, a Korean Confucian can be comfortably a Christian on the external official enrolled affiliation, but maintains Confucian social and family values (Koh 1996).

5.5.2 The Emergence of Civil Society: Democratization and New Politics for Business Groups

The discussant SGN offered the view on the process of democratisation of Korea in step with the progress of government-led industrialisation. The government in Korea was under the control of the military autocracy from 1961 to 1987. This military government leveraged its political legitimacy against the compelling national goal of economic development. Government pushed its economic agenda with concentration of resources and convergence of its efforts in the regions where it enjoyed more political support, such as where President Park came from.

The city of Gwangju was outside the main economic development agenda, and was considered the bastion of political opposition led by then opposition activist Kim, Dae-Jung (born 1926). In 1980, there arose in the city of Gwangju a major civil revolt against the military government, resulting in a bloody crackdown with a great loss of life. This incident led to the eventual downfall of the military government and ushered in an era of democratization in Korea. During the presidency of the dissident-turned political leader Kim,
Dae-Jung, human rights was at the top of the political agenda of the nation. SGN believes that quest for civil liberty and human rights became the basis of Korean democracy and also an impetus for the broadening of Confucian egalitarian ethics hitherto overlooked.

The discussant KGN opined on the institutional development of Korean democracy. In 2002, a national organization for the advocacy of human rights came into being for the first time in Korean history. The organization funded by government is called the National Human Rights Commission of the Republic of Korea.\(^\text{19}\) This commission enjoys political neutrality free from any governmental intervention. Whereas this commission stands exclusively for human rights matters, the protection of civil rights is broadly prescribed for in the Constitution of the Republic of Korea.\(^\text{20}\)

The next discussant DGN went into further detail on human rights matters within the framework of the constitution. Under the heading of Chapters Two and Three, Rights and Duties of Citizens, starting from Article 10 through 37 of the constitution of Korea, human rights covering the political, social, economic and cultural areas receive constitutional protection.

As to whether Confucian humanism played a role in the political and cultural process which led the formulation of the current constitution that has taken a very liberal democratic stance, the discussants provided their thoughts in terms of the various historical backgrounds both of the intellectual struggles and the grassroots momentum that have proven critical to achieving the current level of both ideological and institutional democratization in contemporary Korea (Kang 2003).

On institutional rigidity as the culprit of the Korean scenario of the Asian Crisis, the discussant LGN quoted other critical impediments unique to Korea on her path to a global civil society. The first impediment is the division of the peninsula and the continued Cold War legacy of ideological tension between the South and the North of Korea. In South Korea, there is also the major political impediment of regionalism. Korean regionalism originated in the factional struggles in history between the Eastern and the Western parts of South Korea (Kang 2003).


The Eastern part, i.e., Kyŏngsang province, produced the largest number of Confucian scholar-officials during Koryŏ Dynasty (935-1392) and Yi Dynasty (1392-1910), and dominated Korean politics. This dominance from the standpoint of the Western part, i.e., Chŏlla province, was considered an exclusion of the Western part from fair opportunities to participate in national politics that also equaled unfair access to power and wealth.

LGN emphasized the severity of regional division, which was imbued with inflammatory emotions. It took a half century after the Republic of Korea came into being in 1948 to allow the free election of the first non-Eastern national leader from this disadvantaged Western part. The Western born Kim, Dae-Jung (presidency 1998-2002) was the symbolic figure finally vindicating the long held bitterness of the West. LGN observed that the North-South and the East-West splits continue to exert substantial negative influence on the development of a global civil society, since any policy agenda advanced by one part is usually seen with suspicion by another part (Kang 2003).

As regards any possible remedy to the regional division, the discussant LRD commented on the role of the ‘networked citizenship.’ He expounded upon the emergence of the networked citizenship known as the ‘Netizens,’ i.e., networked citizens, as a significant political and social platform closely related to the globalization of civic participation and empowerment of hitherto apolitical citizens, particularly of youth.

LRD also argued that the Korean experiment with network democracy has major political implications. Networked citizens operate their own electronic mass media with participation of a large number of e-reporters, e-advocates and e-civic service volunteers such as ‘Oh My News.’ Such media topped the conventional media majors in the last presidential election campaign and brought the last upset victory to the underdog candidate Roh, Moo-Hyun (presidency 2002-2007). LRD also noted that such interconnectedness of high-speed internet available to Korean citizens at affordable cost helps bring closer those areas with ‘distances of hearts.’

21 Oh My News is the major e-newspaper operated by volunteer reporter system whereby any citizen can become the reporter covering the news from his or her space of life, <http://www.ohmynews.com>, viewed 25 February 2007.
The discussant HGN pointed out that the Gwangju episode, now honoured as the Gwangju Democratization Movement, was a struggle for recognition (Han 1998b). People struggled to be recognized for their sovereignty as citizens, their political entitlements particularly to freedom of speech and of the press and to fair economic and social rights. He argued that, while this struggle for human rights was triggered by Korean circumstances, the nature and aim of the struggle were universal in terms of fundamental rights stipulated in the Universal Declaration of Human Rights (1948) and its key covenants such as the International Covenant on Civil and Political Rights (ICCPR), and the International Covenant on Economic, Social and Cultural Rights (ICESCR). He also argued that this universal human rights framework is consistent with the ethical grounding of Confucian humanism such as expressed in the political ethics of ‘demo-centrism’ by Mencius and Hsün Tzu.22

The discussant DRD concurred on the universal nature of the Gwangju struggle. He pointed to the absence of human rights in terms of the denial of civil rights to hold peaceful political protests, freedom of speech and the press, fair access to economic opportunities that Gwangju citizens felt denied to them, and the discriminatory social and cultural conventions. He also emphasized that Gwangju and its environs were the home for grassroots movements such as the ‘Peasant Revolt of the Eastern Learning’23 in 1894 and the ‘Gwangju Student Movement’ in 1929.

The Peasant Revolt was an act of political and social resistance against the incumbent political forces of the Yi Dynasty (1392-1910) and the subjugation of state sovereignty to the interests of the growing influence of imperial Japan in Korean politics at that time. The Student Movement was part of an ongoing anti-imperial Japan independence movement that continued throughout the Japanese annexation of Korea (1910-1945). The Korean population within imperial Japanese society occupied the position of secondary citizens subservient to the mainlanders of Japan with severely restricted claims to human rights (Jansen 2000).

The discussant LLR made an observation on the evolution of Korean bureaucracy in relation to the introduction of constitutional democracy. Korea gained its independence from the Japanese in 1945. The ‘temporary military government (1945-1948)’ imposed by

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23 Tonghak nongmin undong (the Farmers’ Movement of the Eastern Learning).
the US authorities on the southern part of the Korean peninsula faced a lack of experienced
bureaucrats who could help run the Korean government in the vacuum that the now
defeated Japanese imperial governor-general left behind. Both the US military government
and the newly installed Korean government of Dr. Syngman Rhee (presidency 1948-1960)
had no choice but to inherit the Japanese trained Korean bureaucracy and the officialdom
culture embedded in it.

The discussant argued that the Korean elites who survived such a change continued to
exert substantial influence over political institutions in the process of Korean
nation-building.

As an example, the discussant quoted the drafting process of the first constitution of the
Republic of Korea (1948). The drafting work involved Korean elites whose intellectual
underpinnings were in the Japanese imperial heritage. Dr. Yu, Chin-O (1906-1987) was
one of them. Yu led the team of legal scholars responsible for the draft constitution. This
draft constitution, which ultimately became the first constitution of the nation, inevitably
ended up incorporating many key clauses that were dear to the ‘Meiji oligarchs’24 when
they politically manoeuvred their preferences into the Meiji constitution (1890).

The discussant SGN commented on the national leaders of the modernization of Korea
spanning the nineteenth through to the twentieth centuries and how the Confucian
education they received in their youth and the modern Western they were given in their
adulthood influenced the roles they played in the process of forming the constitutional
mainframes. Itō Hirobumi (1841-1909), a leading Meiji oligarch, was a samurai
scholar-official well versed in Confucian scholarship and literature. Ito’s Confucian ethical
ethos was infused into the modern legal framework of the Meiji constitution.

Syngman Rhee, born into a Confucian scholar-official family with a Princeton education in
adulthood, helped introduce the first draft constitution of Korea prepared by his law
professor-turned supporter Yu, Chin-O. Rhee found the draft constitution prepared by Yu
congenial to his aspiration for a patriarchal Confucian government. Yu looked at the Meiji
currency and that of the Weimar Republic (1919-1933) as his primary points of
reference.

24 ‘Meiji oligarchs’ refers to the leading national figures during Meiji Reformation (1864-1896) of Japan.
The discussant HGN offered a further view in the same context that the important proviso which both the Meiji and Korean constitutions carried was making the civil liberties of citizens conditional upon what the nation’s heads believed was in the national interest. The best interest of the nation in the case of Japan was what the emperor and national body (kokutai) would envisage. In the case of Korea, it was what the president of Korea would consider to be in the interest of national security. The Korean Constitution (1948) carried such qualifications through Article 28 of the second chapter (‘Rights and Duties’) in relation to restricting civic freedoms. HGN argued that such qualifications (Yoon 1990, p. 155) opened the way for the autocracy of Syngman Rhee’s presidency and arguably for those following in his footsteps. Confucian humanism clad in a well-meant form of Confucian ‘family-state’ patriarchal tradition made an ambivalent contribution at best to the project of building the modern Korean democracy.

Parallel to Rhee’s political regime and his constitution a framework, the discussant KGN offered a comment on the similar approach chosen by the government of President Park, Chung-Hee (presidency 1961-1979). Park introduced the so-called ‘Restoration Constitution (Yusin Constitution)’ in 1972, with which he could technically perpetuate his presidency. Through such a draconian law, Park introduced a rubber stamp parliament called the National Conference of Unification that was empowered to authorise the extension of his presidency as he wished.

In spite of the prospering Korean economy, such dictatorial governance triggered widespread resistance. Park’s government was emboldened enough to issue a decree on 13 May 1975 banning all criticism of the government and of the ‘Restoration (Yusin) Constitution.’ The discussant argued that a polity under what was officially termed Korean democracy (Yoo 2001) by the Park government was partly inspired by the autocratic Indonesian president Sukarno (presidency 1945-1967) and his policy of ‘guided democracy’ as an ideological shield against his autocracy.

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25 Such qualifications are expressed in the phrases e.g., ‘except as specified by law’, ‘except in accordance with law,’ and ‘laws imposing restrictions upon the liberties and rights of the citizens shall be enacted only when necessary for an invitation to the executive to suspend rights.’

26 T’ong’il Chuch’e Kungmin Hoeū Samuchō 1975, T’ong’il chuch’e kungmin hoeū (the National Conference of Unification), Secretariat for the National Conference of Unification, Seoul.
The discussant also argued that this concept of guiding the people instead of representing the people’s political sovereignty was a form of Confucian sagely kingship in the eyes of Park and also an expression of Confucian humanism reflecting his sense of history in making a clear break with the previous poverty of the nation (Joongang Ilbo 1988).

On this point of the alleged Korean perception of Confucian sagely kingship, the discussant DGN offered another perspective in the context of political economy. He believes that there has been a patriarchal culture-based leadership offering the trade-off of rapid economic development and its tangible benefits to the people in return for their Confucian consent to the form of benevolent autocracy in the interests of the greater good of the nation over the long term.

The discussant emphasized the role of an efficient bureaucracy of economic technocrats congenial to such patriarchal leadership. Governments subscribing to such a Confucian style of patriarchal leadership have been supported by a civil bureaucracy that gave an open-ended allegiance to the patriarchal leadership without expectation of reciprocated rights or privileges, except for the outcome of national development and communal wellbeing. The discussant further argued that Confucianism provided implicit support to a leadership that sought to rule by law but only to the extent of using law to enforce the wishes of the ruling group without subscribing fully to the notion of a rule of law.

Contrary to such a politicized view of Confucian compliance, there have been diverse social and religious groups that considered this view as an offensive distortion of Confucian humanism. The discussant SLR expounded upon which groups in Korean society under the autocratic governments from 1961 to 1987 organized their systematic and persistent opposition and struggles. Firstly, there were the religious groups comprising Catholic, Protestant and Buddhist adherents. Secondly, there were social groups consisting of students, workers and the grassroots activists.27 They rejected such patrimonial ownership of the greater good of society. In fact they emphasized the Confucian tacit acceptance of liberal values of tolerance and pluralist notions of the good as Mencius and Chu Hsi had taught.

27 *chae’ya* (grassroots): Korea witnessed a surge of social leaders at the grassroots level opposing the military autocracy (1961-1987). *Chae* literally means ‘exist’, *ya* means ‘in the openness of grass’ or ‘opposition.’
Support for democracy and human rights in the 1970s through to the 1990s has come from a variety of groups held together by a liberal consensus within the opposition camp. Korea’s economic miracle was engineered by the authoritarian regime. In turn, the regime could sustain its political control with all the means at its disposal. It was too strong for the divided opposition, and was able to be in power for nearly three decades.

The discussant argued that the opposition endured, evolved and finally triumphed in spite of the social engineering of the autocratic state. The opposition prevailed eventually as the course of resistance was equal to the project of democratizing Korean society in ways which were appropriate to the priorities of each participating group. The discussant also argued that this process of social evolution not only brought economic achievement unimpeded, but also helped rediscover and strengthen the intrinsic beliefs of those opposition religious groups, including that of Confucianism and its concern for humanity.

On the importance of non-governmental civil society groups, the discussant KLR noted that there has been an intensive effort to coordinate the diverse civil organizations under one umbrella. The Korea Human Rights Network (KOHRNET) was formed in 1994 as an umbrella for the non-governmental human rights groups working in Korea. This organization and its member groups work regionally with the nations in the Asia Pacific as well as with the UN and other organizations such as Amnesty International.

The discussant drew attention to the fact that civil and human rights groups have become a significant source of political influence since the presidency of Kim, Dae-Jung. President Roh, Mu-hyun (presidency 2003-2007) was a former member of the ‘Korean Lawyers for a Democratic Society (Minbyŏn)’ and his close aides who joined his government came from the leading civil groups such as the ‘People’s Solidarity for Participatory Democracy (PSPD)’ formed in 1994.

The discussant also argued that the most significant exception to the human rights regime in Korea remains the ‘National Security Law (NSL)’ that came into existence during the Korean War (1950-1953) to counter Communist North Korean counter-espionage. Both President Kim, Dae-Jung and President Roh, Mu-hyun despite their former careers as human rights champions could not deliver on their election pledges on the abolition of this
draconian law. This law has a half-century record of abuses, having been mobilized in many political witch-hunts.

Yet, despite its ignobility, both presidents found its cancellation political suicide in view of the inter-Korea tensions and popular sentiment against destabilization of any kind involving national security matters. The discussant observed that Korean division and the contemporary terrorism threats have placed substantial limitations on any further progress in human rights observance in the republic.

5.5.3 Rebirth of Confucian Democentrism: Human Rights

As regards the Confucian ethos of an elite technocracy, the discussant LLR observed that Confucian ethics permeated the characters and attitudes of those elite bureaucrats in their sense of duty to themselves and to the people as the Confucian ‘superior persons’ or ‘gentlemen’. He argued that the positive traits of the Confucian character did emerge, as did the commonly known weaknesses of Confucians. Strengths included the encouragement of learning of the superior person, respect for ethics and morality and respect for probity, loyalty and righteousness. Weaknesses commonly referred to are veneration of China, factionalism, family-ism or clan-ism, class notions, bookish impracticality, weak commercial or industrial capacity, reverence for titles and reverence for the past.

Regarding the Confucian ethos imbued into the mindset of the administrative elite in the Korean bureaucracy, the discussant HGN offered further background. He believes that in spite of the modern institutions and legal system, a parallel can be drawn between the Confucian statecraft of the Yi Dynasty and that of the Republic of Korea in philosophical and behavioural aspects.

Confucianism remains a body of ethical and moral principles that the head of the state and elite scholar-officials must learn to apply. The Confucian concepts of governance are

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28 kunja (Korean equivalent to chüntzu in Chinese: Confucian ‘superior persons’ or ‘gentlemen”).
29 Hyon, Sang-yun (1893-1950), a prominent Confucian scholar and the first chancellor of the Korea University, is known to have classified the strengths and weaknesses of Confucian characters in his work, Chosón yuhaksa (The history of Confucianism in the Yi dynasty). The strengths are: kunjahak (encouragement of learning of the superior person), yulli dodok kwan (respect for ethics and morality) and ch’ŏngnyŏm chŏrūi (respect for probity, loyalty, and righteousness). The weaknesses are: mohwa sasang (veneration of China), tangjaeng (factionalism), kajok chuŭi (family-ism or clanism), kegŭp sasang (class notions), munyak (bookish impracticality), sanggong yûnyak (weak commercial or industrial capacity), sangmyŏng chuŭi (reverence for titles) and pokko sasang (reverence for the past).
encapsulated in the three words, i.e., *kyŏngse* (the management of the world or the economy), *che’min* (the sustenance of the people), and *ch’iguk* (the rule of the nation). The first two are from the writings of Chuang-tzu (ca 4th century B.C.E.) and the third from the *Great Learning*.

The discussant summarised to the effect that Confucian political ideology was and remains a conservative doctrine based on the notion of promoting moral-ethical principles and social institutions for maintaining peaceful political order and social harmony. Such ideology goes hand in hand with a hierarchical society in which those in the positions of authority bestow benevolence downwards and those below reciprocate with loyalty and compliance to the state. Human rights and duties are vertically integrated as the pillar of stable social and moral propriety.

Regarding such Confucian mutuality of benevolence of those above and compliance of those below, the discussant KSP offered his outlook. He believes that such a fusion of morality and politics, if it were to work out well, calls for a major assumption. The assumption is that successful harmony should be kept up within the Confucian doctrine of self-cultivation, family regulation, social harmony and political rule.

Mencian teaching directs that Confucian scholar-official elites bear the burden of maintaining the basis of moral and political leadership in the state. The discussant also referred to the Mencian admonition against any complacency based on the emphasis on stability and predictability alone. Should the system of governance and sovereignty decay, risking people’s rights to life and subsistence, Mencius asks that those scholar-official elites live up to their moral integrity of Confucian humanism and bring about the necessary change even at the cost of self-sacrifice. The discussant argued that, in the history of Confucian governance, passive resistance was common, whereas open resistance remained a rarity.

Regarding Confucian governance and statecraft in the modern democratic context, the discussant HRD referred to the seminal work the *Doctrines of Governance and Statecraft* by the ‘Practical Learning’ school doyen Chung Yagyong (1762-1836). He argued that

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30 *Kyŏngse yup’yo* (the *Doctrines of Governance and Statecraft*) authored by Chung Yagyong (1762-1836) during ca 1817.
Chung envisaged that successful statecraft based on Confucian humanism is achievable in the dynamic interplay of the ‘essential trio’, i.e., benevolent teachings, self-cultivation and enlightenment, just and working institutions and people’s trust in the moral identity of the selves with the sovereigns as family (Yi 1990-1993).

On this point of the state and its statecraft equalling the personification of family, the discussant DRD concurred that Confucian family values and value orientations are central and essential ingredients of Confucian contributions to the democratization processes in Korea and, likewise, progress in human rights.

In the context of contemporary Korean democracy, the essential trio would remain the same, i.e., the first being the Confucian ideals of humanism as the mainstay, the second, modern functioning institutions, and the third, the self-identity with one’s family qualifying the success of leading a fruitful life as seen through the eyes of the family outlook on life and world.

He argued that this trio creates not just a democratic polity as a vindication of justice, but also fortifies the warmth and trust of the family, recovers the aesthetic self-identity in unity with the family of the first relation through to the ultimate relation reaching the greater family, namely, society. He further argued that Confucianism, as a science and art of statecraft, contributed to the re-establishment of the intellectual and psychological equilibrium of the selves, family and the state through the Confucian personification of family compassion, and humanism adding resilience in every meaningful step of the relationship (Piaget, Brown & Thampy 1985).

On the Confucian ideal of society as a harmonious extended family, the discussant HLR suggested a substantial qualification on such an optimistic scenario. He referred to the status of Korean human rights in relation to the key international human rights covenants. Korea became a signatory nation to key international human rights covenants, including those of the United Nations, particularly the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR).
He indicated that the government authorities concerned were passive parties at best for the enforcement of such covenants. The first governmental report to the UN Human Rights Committee under the ICCPR was submitted in 1991.

The non-governmental human rights advocacy groups did not agree with the 1991 report made by the Ministry of Justice and submitted their counter-report in 1992 to the same UN Human Rights Committee. This counter-report was one of many to come and was jointly drafted by the civil society advocacy groups headed by the Korean Lawyers for a Democratic Society (Minbyŏn) and the National Council of Churches in Korea (NCCK).

This disagreement with the government claims, spelled out in this counter-report, covers integral points such as remedies against rights violations being not readily available and investigative agencies shying away from those cases involving high-ranking officials. The discussant emphasized that the ongoing scrutiny, both domestic and international, by such civil and advocacy groups, societies and advocacies on the official practices of human rights policy by governmental agencies has become an important pillar of Confucian humanism as expressed through human rights observance in Korea.

The discussant HGN cited the 1990s transition of Korea as an example of Confucian humanism making a shift through the dynamics of democratization and globalization of civil institutions. Politically, Korea shifted from military autocracy to a freely elected democratic government in 1992. Economically, Korea ranked as the 11th largest economy in the world by 1996 and joined the so-called ‘rich country club’ of the Organization of Economic Cooperation and Development (OECD) in the same year.

But the euphoria about the newly gained democracy and prosperity was short-lived, since in the very next year, 1997, Korean was plunged into the so-called ‘Asian Financial Crisis’ that was perceived as the most serious national crisis since the Korean War (1950-1953). Confucianism came under fresh attack. Confucian governance was accused of being at the base of the Korean status quo and standards, no longer compatible with the global norms that Korea has newly subjected herself to.

HGN, however, argued that the Asian Crisis was in fact a blessing in disguise. Korea not only burst her bubbles, but also had a chance to consolidate her bubble-like institutions that
have remained impervious to changes. They have long developed calcified rigidity with
market rules, education, media, bureaucracy and all forms of social and institutional
exchanges that required accountability, yet lacking it sorely. He further argued that a
sustainable civil society emerged in Korea, ironically through this major all-encompassing
crisis, whereas, on the surface, it was seen as a crisis of finance.

On the contribution of the networked citizenry to a globalizing civil society, discussant KGN
expressed substantial reservations. He accepted the value of the immediacy and
transparency of the e-media, but he also believed that the e-media helped deepen the
paradox of the so-called identity politics (Toft 2003) and reinforced the old division coming
from the old ideational opposite views. Since the Korean e-media is almost immediately
translated online into multi-lingual options, the most popular ones being Chinese,
Japanese and English, contents often inflame nationalist or xenophobic sentiments among
neighboring countries and also from those with different identities such as Chinese
Koreans from Northern China working in Korea as guest workers or refugees from North
Korea. KGN argued that networked citizens are deeply divided over the defense alliance
with the US and its influence on humanitarian support for North Korea. Such matters
closely relate to Korean identity politics.

Nationalist sentiment resents the so-called ‘end-ism’ represented by the triumph of liberal
democracy, where Americanism looms large (Fukuyama 2006). Conversely, most
nationalistic Koreans believe that the US, despite its role in introducing liberal democracy
to Korea, is singularly responsible for the division of the Korean peninsula. On the other
hand, liberal market-loving Koreans tend to credit the US for enhancing security and
ensuring access to markets and capital that helped create the Korean economic success.
KGN noted that, in terms of Confucian humanity and civility, this interconnectedness and
instant reciprocity of community communication helped in highlighting the communitarian
interest, but seldom succeeded in warming hearts, much less helping to groom the
Confucian ‘responsible cultivated ideal persons.’

Further to the ‘networked-ness’ of contemporary Korea, the discussant DGN highlighted
the global dependency of the Korean economy. He stated that the external trade of Korea,
as the percentile of Gross National Product, has averaged 70 per cent for the last decade.\textsuperscript{31} In a nutshell, the Korean economy survives through buying and selling in the rest of the world. Hence, the globalization of Korea inevitably occurred within her own economy first. Globalization of civil society did not happen automatically thereafter, since the autocratic military government also depended heavily on their economics credential for the legitimacy of the forceful perpetuation of their rule.

DGN argued that the Kim, Dae-Jung government as a civilian government had no choice but to uphold the market economy and democracy for their so-called ‘participatory democracy’.\textsuperscript{32} Kim’s recipe for globalizing Korean civil society was bourgeois democracy basing its political centre-weight upon the prosperous middle class and the liberal democratic model compatible with the global mainstream (Moore 1966). DGN also argued that Kim’s globalization initiative was designed not to the weaken the nation state of Korea, but instead on strengthen it through marrying the strength of Confucian and other traditions with the institutional advantages.

On the question of the Kim, Dae-Jung model of democracy, the discussant KSP highlighted the porosity of the globalizing Korean politics and its susceptibility to geopolitics. Kim’s so-called ‘Sun-Shine Policy’ of warming up the Stalinist North Korea with economic and humanitarian aid was severely criticized by the right-wing. KSP argued that domestic conservatives and global Neo-conservatives succeeded in substantially downgrading Kim’s political legitimacy despite recognition by the Nobel Prize Committee with the Peace Prize of 2000.

Ironically, his presidency was recognized for the economic turn-around of Korea by successfully and speedily surmounting the Financial Crisis of 1997-2000 working side by side with the heavy-handed International Monetary Fund, whereas his long cherished political ambition was to overcome the Cold War status quo of the North-South division.

KSP also argued that his momentous contribution to installing the National Human Rights Commission for the first time in the history of Korea was compromised by global events such as the Cold War-like confrontation between the US and North Korea on nuclear

issues. He observed that the context and conditions of Korean civil society are both globally and locally determined, as her economy is. KSP believed that the Korean global civil society project is experiencing severe *hong’yok* (measles) in its transition from a Confucian society towards a global civil society. The process undergoes the pressure of globalization through the emergence of multiple identities heretofore insignificant, but now vying for fresh legitimacy. The challenges riding on the global wind call for gender equality, religious openness, cultural and ethnic diversity, and contra-regionalism (Barber 1995).

As regards Korean ‘democratization measles,’ the discussant DSP held the view that the Korean democratization process of 1987-2006 has been a change in political identity only to liberal democracy, but with no qualitative shift in content. DSP indicated that the Korean Confucian ethos has been resistant to the complete separation of power amongst the three branches of government that became separate and independent according to the democratic principle of checks and balances, but became all too combative to the Korean Confucian ethos.

He noted that democratically elected presidents, such as Kim, Young-Sam (presidency 1993-1998), Kim, Dae-Jung (presidency 1998-2002) and Roh, Mu-Hyun (presidency 2003-current) after the first year of the so-called ‘honeymoon period’ consistently suffered low popularity, and are often rated lower than autocratic military presidents. DSP assumed that institutional change in terms of political identity took place in 1987-2006 periods, but mass politics and their ethos may require a generation to digest the qualitative change.

On the generational shift of democratization, the discussant SGN offered a view at a substantial distance from the former discussant. He pointed to the example of civic movements initiated by non-government voluntary organizations that became the backbone of the fast-track democratization of Korea. SGN argued that the democratization of Korea from 1987 onward was not abrupt or accidental. It is the result of a long persistent fight for democracy by civic organizations throughout the period 1961-1987 when military governments had had dominance over Korean politics.

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He also argued that the social legitimacy of the democratic civic movements, combined with the rising standard of living and educations engendered higher expectation, from what people perceived as the civil and civilized society became the main driver for the democracy beyond the already global economy of Korea. He indicated that the major drawbacks on Korean political progress are, firstly, the ‘boss-centered dysfunctional party politics’ that has not changed much since the autocratic era, and secondly, the ‘regional politics’ and hierarchical rigidity often blamed on the Confucian tradition.

On the Confucian challenge of social rigidity, the discussant HGN indicated that the issue of gender equality in Korea remains the foremost challenge facing Korea on its path to a global civil or civilized society. He advised that the Korean civic movement works hand in hand with the global organizations of gender equality advocacy. The Korean government and society have been repeatedly reminded of the slow progress Korea has made in its ‘gender empowerment measure.’

HGN emphasized that the Korean democratization pattern of ‘learning by doing’ could very well speed up the remedying of gender disparity by quoting the emergence of top woman political figures such as Han, Myŏng-suk and Park, Geun-hye. Han, Myŏng-suk (born 1944) has been the prime minister of Korea (incumbency 2006-2007) and Park, Geun-hye born in 1952 as the daughter of ex-President Park, Chung-hee (presidency 1961-1979) is the leader of the conservative political party. He argued that, once the Korean ethos accepts womanhood as compatible with national leadership, gender inequality, consistently denounced as the last negative vestige of Confucian legacy, may even disappear.

HGN also argued that Korean politics came increasingly under the influence of global politics, and major female politicians in friendly countries such as Margaret Thatcher (prime minister of the UK 1979-1990), Angela Dorothea Merkel (incumbent chancellor of Germany) and the current US presidential candidate, now appointed Secretary of State Hillary Rodham Clinton (born 1947) are exerting an indirect influence on the gender politics of Korea. He observed that Confucian humanism would not diminish due to the emergence of women’s empowerment. Instead, correction of gender inequality would be a major

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success for the contemporary Neo-Confucian project of transforming itself into something compatible with the globalizing civil society.

As regards whether such political and institutional democratization in Korea remains related to Confucian humanism, the discussant DIG offered a view. He observed that the Korean Confucian ethos is very comfortable with the three basic ingredients of the civilized global civil society, namely, democracy, the rule of law and the market economy.

The rule of law is considered the minimal requirement for a stable and fair society in support of human development. Market capitalism has brought economic prosperity that has been the state ideal of the Confucian Yi Dynasty (1392-1910) throughout its history of struggle. He further argued that Confucian humanism subsisting in the Korean Confucian ethos helped overcome the otherwise combative political transitions without the loss of affective human relations amongst the opponents. DIG indicated that this affective Confucian humanism remains an important element of Korean social capital. He noted that the Korean reconciliation of Confucian ideas with globalization occurred in terms of market economy dynamism, empowerment of people, and continued experiments with her young and still evolving democratic institutions (Kihl 2004).

The discussant HLR referred to more contemporary times. He referred to the literary contributions made to humanism in Korea during and beyond the humanitarian crisis of the Korean War (1950-1953) and during the earlier Pacific War (1941-1945). In the Pacific War, substantial Korean participation occurred in Japanese uniform as a part of the mobilization by imperial Japan. Individuals and families with the Confucian habits of mind ran into these extreme conditions, and underwent situations of life and death. Confucian morals were in tatters and offered no respite to the angst, despair and absurdity of those going through the condition of war.

HLR argued that writers and critics such as Paek, Ch’ŏl (1908-1985) helped create a melting pot of humanistic ideas that drew on diverse post-war literary sources, notably, that of existentialism. The discussant added that Confucian minds met and fused with the other traditions in these extreme human conditions as confined and limited by inhuman circumstances. The discussant affirmed that aesthetic and artistic awareness triggered by
the pains of war liberated and boosted the spirit of humanism in the face of indescribable barbarity and human despair at the insurmountable conditions (Cho 1997).

The discussant HSP made an observation about the opposing views on the role of Confucianism and its humane concerns held by contemporary leading Asian political figures such as Kim, Dae Jung and Lee Kuan Yew. Sharp debates arose, prompted by Kim’s response in the Foreign Affairs article (Zakaria 1994; Kim 1994) to Lee on the concept of the so-called ‘Asian values.’ Lee popularized the notion of Asian values, basing himself on Confucian humanism and its contribution to economic prosperity, while defending his ever-lengthening autocracy also on the grounds of Confucian social harmony guaranteed through political patriarchalism.

The discussant argued that Lee’s view of Confucianism is that of minimalism, a view also propounded historically by the School of Legalism, most prominently by Han Fei (ca 280-233 B.C.E.). Lee chose to omit the key teaching of Mencius about the moral responsibility of sovereigns to fairness and the rights of the people to revolt as a last resort against unfit sovereigns. Kim maintained his position in this response and, throughout his presidency of Korea (1998-2003), argued that Confucianism provides a basis for humanism and for the adaptability to democratic principles elaborating on the long philosophical riches built around it (Han 1998a). The discussant was persuaded that the so-called Asian value argument had lost much of its currency, since the Korean model of the market economy has advanced together with what Kim claims to be Confucian democracy and has invalidated Lee’s argument.

The discussant LLR observed that Kim, Dae-Jung, the activist-turned former president, made frequent references to the Mencian political reforms through moral and peaceful means, leaving the revolutionary option as a last resort. Non-violent political resistance against the military government led by his political nemesis President Park, Chung-Hee (1917-1979) in the tradition of Gandhi was heavily influenced by one of his mentors, Ham, Sŏkhŏn (1901-1989). Ham was a Quaker leader and pacifist political activist, also known for his teaching of other Asian belief systems such as Taoism and Hinduism. Kim is a practicing Catholic but shared Ham’s view of progressive spirituality, dwelling on the strength of belief traditions such as of Confucian pacifism and Taoist freedom.
LLR referred to the common daily practices of Confucian ethics by contemporary Koreans as evidence of Confucian humanism in action. According to him, fundamental principles and disciplines related to core human relations stand out as representing the 'intrinsic humanism and extrinsic humanism (Cheng 1991, p. 1).’ On the one hand, Confucian habits of heart in Korea relate to the intrinsic understanding of being desirable humans. On the other hand, such habits daily manifest extrinsic understanding of human relations from family, community, business and broader social association.

Conversely, the ideals of Confucian humanism present a daunting task to translate into practice aiming for moral perfection. Such ideals often encapsulated in crisp and pithy aphorisms find their way into common discourse as points of reference. The discussant named the most common quotations from the Great Learning, i.e., the Eight Virtues of the Way, which are the investigation of things, in-depth knowledge, sincerity of thought, rectification of heart, self-cultivation, harmony of family, good governance of state and pacification of the world (Legge 1960/1970). The discussant added that these virtues signify progression from intrinsic humanism, starting from the ‘investigation of things’, to ‘extrinsic humanism’ culminating in the pacification of the world.

The discussant LRD shed light on Confucian influence over education in Korea. The central importance Koreans place on education reflects the Confucian mentality. The Confucian emphasis on self-cultivation calls for incessant self-education and broader learning. The extraordinary zeal for education mirrors the struggle for survival under the rigid hierarchical society that Confucian state ideology helped create. Confucian knowledge was directly aligned with power and career. LRD argued that the current state examination system in Korea for public offices maintains a Confucian value orientation. The better educated command the trust of the society. The fairness of the examination system in the choice of the best candidates for high administrative office remains largely unchallenged.

LRD also maintained that the Confucian zeal for education is also reflected in the private sector, in particular in the prominent large corporations. Those who have not made it into officialdom achieve their comparable ambitions in the large hierarchical industrial corporations. This phenomenon in the economic sector, he insisted, provides another venue for contemporary Confucians in their pursuit of self-realization. An industry career in
East Asia at times is seen as a vehicle of worthy Confucian legitimacy as was officialdom in the past.

He also made observations on the Confucian aspect related to the Korean education system and its syllabus selection process. Such syllabus would cover from years one through twelve, i.e., six years of elementary school, three years of middle school and three years of high school. The core Confucian virtues and other Confucian teachings remain central in the 'morality' subject, starting at the very first year and becoming more formal with the year three learners. They also remain central themes in the civic ethics subjects which are compulsory for middle school pupils and an elective for high school.

In relation to Confucian economic ethics, discussants paid special attention to the acute global dilemma of ecology and the environment. While East Asian nations including Korea play significant roles as global economic players, they are also perceived as potential contributors to the cost to nature or conversely those who can contribute towards prevention of such costs on nature being incurred due to their economic activity.

The discussant DLR offered the view that contemporary Korea should reconsider the economic ethical paradigm based on the so-called 'homo-centrism.' According to him, the end is fast approaching to the ethical thesis that man is superior to nature and economic development is the productive endeavour of superior beings subjecting nature to the process of creative destruction (Schumpeter 1991). Nature is finite, whereas the appetite for economic growth remains insatiable.

He believes that the Confucian ethical tradition and its humanism based on the human-to-nature unity should play a role in restoring balance to the already endangered equilibrium between nature as the abode of all life forms including humans, and humans themselves.

On the homo-centric economic ethical orientation, the discussant SGN referred to it as the fundamental trait of the Enlightenment and its ongoing impacts on the processes of modernization. He argued that, in contrast to the Judeo-Christian perception of nature as the resource for humans, Confucians, Buddhists and Taoists would consider nature as the very wellspring of the human origins. He also argued that Confucian East Asia faces a
dilemma between the quest for economic development under the influence of Enlightenment ideals and the Confucian ethical grounding in the unity of human and nature.

Confucian humanism is profoundly committed to seeing humans flourish. Such flourishing, however, is conditional upon the ethical and intellectual maturing process of self-cultivation, the embracing of our broader selves in the social community and nation, and finally finding the unity with Heaven and the earth. He held the view that the rediscovery of the Confucian nexus of the inclusive humanism beyond humans alone would be a first step in the direction of righting the ecological and environmental ills that economic centrism had wrought on nature (Tucker & Berthrong 1998).

5.5.4 Global Confucian Corporate Citizenship
Forces of globalization, however, made the process of democratization a project of not only of nations, but also of international engagements and interactions among the states and non-state actors. The Korean democratic shift suffered from an ongoing internal schism caused by inter-Korea and inter-regional frictions. Popular opinion even reversed their approval ratings of the long dreaded autocratic military governments and freely elected democratic governments.

Highly networked citizens’ democratic groups proved to be no panacea. People began to be reminded that communication actually rests in exchanges between open minds rather than the rapid exchange of voluminous information. Korea still goes through the ‘measles of democratization,’ as a discussant mentioned. The Korean democratic process certainly has significant implications for the future of the Northern part of the peninsula.

The government policy hitherto had suppressed labour movement. When such control was lifted, there was a stellar rise in wages. Many of the low wage-based industries moved their production overseas. This was also a period when major business groups started knowledge-intensive high technology initiatives such as the semi-conductor industry where only handful numbers of advanced nations were engaged in, namely, Japan, the US and Germany. As business groups with Confucian work ethics navigated into
knowledge-intensive industries, The Korean economy also shifted towards the so-called knowledge economy (Jinn 2004).

The discussant KRD insisted that the Confucian ethos with lifelong education embedded as a way of life benefitted business groups by providing the necessary knowledge-base and a willingness to move forward in intellectual growth. Internally within business groups, member companies would share knowledge and technology among themselves. Research and development endeavours were made at a group-wide level, such as by establishing group research centres. Such creation, concentration and dissemination of broadly based knowledge and technology within the business groups made possible the basic applied research necessary to compete shoulder-to-shoulder with the rest of the world (Lee, DW 2007).

Collective efforts would be made at research institutes to create sophisticated technologies among assemblers of final products and suppliers of key components. For example, a member company producing television sets will conduct research together with their vertically integrated sister companies such as those producing cathode ray tubes, electronic parts, television glassware and other makers of essential parts. Collective research activities also involved international joint-venture partners as product platforms expanded.

Another discussant LRD pointed out that by sharing technology among sister companies, business groups also promoted common brand names for their groups internationally by hiring sports stars as a means of promoting group brand name and image. This group approach was based on the assumption that overall profitability of individual companies would eventually prove a better strategy than an individual company by company strategy. Business groups were almost unanimously promoting diversity and concentration of group capability, frequently using group slogans in advertisements, e.g., from chip to ship (Steers 1999).

SRD observed that the sharing of knowledge amongst sister companies occurred people managerial knowhow. through these hands on knowledge of how to best manage the complex common project from the standpoint and strength of an individual company and contribute substantially when a new large scale venture of technology-intensive project is
launched. For example, a cash-rich insurance arm of the group would raise capital, the
engineering arm of the group would design the plant, a real estate expert from the finance
arm of the group will help locate and purchase the best plant site, the import-export trade
arm of the group will locate the best sources of key raw materials and search out customers
for eventual products, and the group staff training centre would recruit and train the
necessary human resources. Such diverse services are offered at very reasonable cost or
none so at all, that new ventures could commence with the lowest possible overheads.

5.5.5 Global Governance and Agency
The discussant KSP referred to the issue of ‘agency’ in relation to the corporate
governance system of Korean business groups. Seen from the positive side of the
so-called ‘agency,’ the extraordinary sense of commitment of senior executives could
transcend the conventional sense of representing the primary stakeholders, namely,
shareholders as reflected in legal ownership of company equities including numerous
minority equity holders. On the other hand, if seen in a purely legal light, broader
interpretation of one’s responsibility beyond the legal boundary is equal to compromising
one’s legal duties.

The dichotomy arising from such divergent commitments is common among the senior
managers of group companies. Allegiance is in a way split between laws and moral
commitment to the heads of business groups. As seen in Appendix 4.4.1 (diagram),
management of business groups relate their sense of agency more in favour of the
dominant shareholders, namely, heads of the business groups they belong to without being
impartial and fair to the legal rights of minority stakeholders (Song 2002). The issue of
agency in the moral context will not phase out simply because business groups are more
globalized. ‘Shareholder activism’ brought considerable attitudinal change to senior
management of business groups, who are now facing considerable scrutiny by civil
societies and public shareholder advocates such as People Solidarity for Participatory
Democracy.35

The discussant HIG commented on the changes that took place within group organisations
after the financial crisis era of 1997-2000. The government held the view that the
centralised group organizations dominate management decisions and that such a practice

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35 People’s Solidarity for Participatory Democracy (ch’amyŏ yŏndae), Op. Cit.
is unhealthy. Lack of transparent thinking on behalf of each corporate management unit could cloud judgment and may have contributed to germinating the corporate ills exposed during the crisis. Another form of centralized organization emerged within business groups called the ‘group restructuring committee’ as a response to government concerns (Kim, YK 2000).

However, their roles evolved into the same roles as the former organizations in the service of chairpersons’ interest. Other organizations as typically ongoing of major groups are meeting of presidents and group steering committee. Group level coordination continues to serve identical purposes despite superficial changes to organizations. Business groups maintain Confucian family structures consistent with the evolution of the organization. Each member company within the group organization as shown in Appendix 4.2.2 (table) can make decisions on minor matters or on medium to small scale investments. Large investment is subject to approval and coordination on group level where chairpersons would probably make final decision.

The discussant SIG made an observation on the dichotomy existing between the managerial dynamism chairpersons bring to their groups with power concentrated in their hands versus their accountability for the decisions they make and the consequences they bring, positive or otherwise.

Because Korean chairs have nearly total control over their groups, they can make speedy decisions and mobilize resources on a timely basis to take advantage of new opportunities opening to them. There has been a poor record of chairpersons shouldering responsibility for making wrong decisions bringing substantial loss or at times of the collapse of some ventures or companies. This lack of accountability remains a chronic breach of responsibility entrusted to them through public or private funding (Kim, YK 2000).

Major business groups made investments in new ventures based on the private impulses of chairpersons, such as an ‘auto-maniac’ chair starting a new car company in the midst of a global automotive glut. This new venture was mostly financed through group companies most of which are publicly listed, hence the chief executive making wrong decisions becoming accountable for failure. On the other hand, this abortive automotive venture
resulted in no executive being held responsible, since legally chairpersons are seldom official chief executives of the corporate bodies (Lee, JM 2000).

Since some business groups have already started grooming the third or fourth generation of the founders’ posterity as successors, the question of professional competence additional to their inherited wealth becomes a subject of acute public debate in Korea. SIG is not too optimistic about the matter in that major business groups thrived on some successful decisions their founders or second generation chairs made, such as the ship-building and semi-conductor industries where Korea is a leader in the world market. During the inception period of both industries, conventional wisdom advised against both ventures as daydreaming for Korean entrepreneurs of the era.

The discussant believes that this dichotomy will continue for some time in all likelihood. The discussant HIG raised an argument that one of the acute governance issues is the removal of boards of directors through the top-down influence from chairpersons. One of the important legal privileges as shareholders is the right to elect directors to the boards so that their rights are protected through board members representing them in accordance with the commercial and corporate laws of Korea (Kim, HS 2004). The boards carry duties of oversight in regard to how management conduct corporate affairs in the interest of primary stakeholders, namely, shareholders.

The discussant HIG maintained that chairs might continue to exercise Confucian ethics in terms of human relationships, sustaining valuable social capital, but they should not implicitly condone any breach of the legal framework that supports the governance of companies as legal bodies beyond being economic entities. He referred to a number of legal suits raised by shareholder activists against company directors who failed to abide by laws simply by following directives coming from chairs. Those shareholder advocates successfully introduced a ‘class action’ (Kim, HS 2004, pp. 20-21) and other legal means of protecting the minority shareholders’ rights. They also reaped unprecedented winning verdicts overturning chronic practices of the so-called ‘board of directors on paper only’ of business groups.

This represents a reversal of perception of those in management with business groups. As seen in Appendix 4.4.1 (diagram), management as ‘agent’ has been accustomed to
primarily serving only the dominant shareholder, namely, the chairperson, as the first and foremost entity. Management would consider other shareholders as the tertiary principals or quasi-principals, only keeping them at arms length. Effectively, management becomes the second most important principal whereas their legal obligation is to serve principals as an ‘agent’, irrespective of shareholders’ standings. HIG maintains that restoration of the rightful principal-agency relationship is long overdue and must be realized without delay.

5.5.6 Post-Reform Consolidation
The discussant SSP gave an overview of how the government-led restructuring plan impacted upon the top five business groups on or after the crisis period. He referred to the announcement made by the then governor of the Financial Supervisory Service (FSS) at the presidential palace in full view of the nation in a telecast. FSS was overseeing financial institutions of Korea who in turn were empowered with the restructuring of business groups. The announcement was called an ‘agreement’ between the government and the business/financial community. But it was in reality a directive coming from the government based on its agreement with the IMF and the World Bank who represented the global financial community that came to the aid of Korea.36

This announcement summarized what had already transpired for the preceding year of reform, as well as spelling out specific points for the next steps to take to move the agenda forward. The government, under the direct intervention by the newly elected president, focused on the top five groups so that success with top groups could cascade into the rest of the business community. It was a political move as much as a financial reform of the national economy.

This sweeping reform was enforced with tight management by the office of the Financial Supervisory Service, which had already proceeded with the liquidation of fifty-five group or non-group companies by June 1998. SSP highlighted the point that a certain level of achieving reform goals was made possible by government intervention at the highest level, forcing the otherwise reluctant chairpersons of the largest business groups of Korea to reform.

The discussant listed important points that included: 1) restructuring of business groups around core businesses only, 2) a focus on core competences thereby eliminating non-core businesses, specifying the suggested number of affiliated companies for each group after restructuring, 3) inter-business group mergers of common businesses with overlaps of investment, including petrochemicals, the aircraft industry, rolling-stock, power plant equipment, ship engines and semi-conductors, with an open threat of government withdrawal of loans in the event of non-cooperation, 4) reduction of debt ratio to 200 per cent or below by the end of 1999, 5) cessation and closing of cross-guarantees of loans by both business groups and the banking community by March 2000, 6) representation by external directors coming from banking institutions to monitor restructuring process, and 7) a switch to ‘combined statements’ from fiscal year 1999 for the enhancement of transparency of financial reporting.³⁷

The discussant LGN commented on the changing circumstances of trade relations for Korean business groups. From the 1980s onwards, Korea faced severe competition in export markets from low wage economies of newly emerging China and South-East Asian countries such as Indonesia. Due to a rising Korean export profile, trade pressure on Korea mounted from those countries with trade balance problems with Korea such as the US and the European Community, consistent with the rules of World Trade Organization (WTO) that became active in 1995. Hence the Korean domestic market has undergone substantial liberalization to facilitate foreign participation.³⁸

The discussant LIG made an observation on the evolution of Korean capital markets in the 1990s, both banking sector and the equity market. Korean business groups relied on banks for most of their capital needs, since banks are where most Korean savings are held and companies would borrow to finance their business. During the financial crisis of 1997-2000, the government took large shareholdings in the troubled commercial banks to effect a rescue with public funding. With large shareholdings in banks, the government merged a number of commercial banks as a part of post-crisis reform.

As seen in Table 5.3, those commercial banks with most exposure to business groups and business groups themselves together incurred short-term external liabilities of three

³⁸ Ibid.
times the total foreign exchange reserve of Korea in 1997. This was the direct cause of the crisis. The government had to restructure banks as much as business groups in tandem. Banks were also up for sale to overseas investors, thus allowing majority foreign shareholding.

Table 5.3

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<tbody>
<tr>
<td>Gross external liabilities</td>
<td>62.9</td>
<td>67.0</td>
<td>88.7</td>
<td>119.7</td>
<td>164.3</td>
<td>158.1</td>
<td>149.4</td>
</tr>
<tr>
<td>(year-on-year growth rate %)</td>
<td>(6.52)</td>
<td>(32.39)</td>
<td>(34.95)</td>
<td>(37.29)</td>
<td>(-3.82)</td>
<td>(-5.51)</td>
<td></td>
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<tr>
<td>Financial institution</td>
<td>43.6</td>
<td>47.5</td>
<td>65.1</td>
<td>90.5</td>
<td>116.5</td>
<td>89.6</td>
<td>71.9</td>
</tr>
<tr>
<td>Corporations</td>
<td>13.7</td>
<td>15.6</td>
<td>20.0</td>
<td>26.1</td>
<td>41.8</td>
<td>46.2</td>
<td>41.0</td>
</tr>
<tr>
<td>External Liabilities/GDP</td>
<td>2.00</td>
<td>1.94</td>
<td>2.20</td>
<td>2.45</td>
<td>3.16</td>
<td>3.32</td>
<td>4.65</td>
</tr>
<tr>
<td>Short-term external liabilities/Total external liabilities</td>
<td>5.88</td>
<td>6.02</td>
<td>6.58</td>
<td>6.58</td>
<td>5.66</td>
<td>4.00</td>
<td>2.06</td>
</tr>
<tr>
<td>Short-term external liabilities/Foreign exchange reserves</td>
<td>21.57</td>
<td>19.89</td>
<td>22.75</td>
<td>24.06</td>
<td>27.98</td>
<td>30.98</td>
<td>5.92</td>
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</table>

Source: Ministry of Finance and Economy Korea

Restructuring of business groups mirrored the way banks were restructured, because one major group that went under in 1998 was more than sufficient cause for making one of top three Korean banks insolvent. There was not a single bank that was not affected by the financial crisis, nor was there any single bank that remained untouched by government reform of banking sector. Foreign banks became more active local competitors and equity participants in local banks (Haggard, Lim & Kim 2003). It was the intention of the government to create intensified competition between foreign banks and local banks so that Korean banks would develop international banking competence, while local capital market would also grow to par with the global banking community.

The discussant also emphasised that the stock market underwent a major change,
because the government introduced the Korea Securities Dealers Automated Quotation (KOSDAQ), a Korean equivalent to NASDAQ of the US. KOSDAQ successfully became a competitor to the conventional Korean Stock Exchange (KSE) by introducing a large number of small to medium high technology start-up companies. A new wave of dynamism came to the Korean capital market scene through this venue.

High calibre creative technologists and professionals left large companies, mostly belonging to business groups, and created new ventures. This dynamic entry and exit of businesses was antithetical to business groups, yet it became the way of life for the new generation of business leaders. Their management became more accountable and shareholders were riding on the rise of the global 'shareholder activism' that also swept over Korea.

The discussant KRD offered an explanation of how business groups manage human resources development both in character-building and managerial/technological competence. Most business groups operate centralised human resource development or training centres. Instead of recruiting from outside, the central human resources organisation would select and train personnel in advance of important group-level projects.

By so doing, groups can maintain corporate culture-compatible character, in addition to job skills. This process also contributes to the extraordinarily high level of commitment (Sull 2005) to the challenges such persons would undertake on behalf of the group they belong to. Such centralised human resources planning and group-based coordination involves senior executives including chief executives of group companies. As seen in Appendix 4.2.2 (table), senior executives are rotating their roles within their career cycle to various industries and functional platforms, benefitting from ongoing centralised training opportunities. The discussant contends that in the context of character-building or maintenance, Confucian ethics and the ethos of commitment to a broader purpose in life play a vital role.

The discussant KIG offered an insight into how business groups leveraged their positions during the crisis and restructuring period of 1997-2000. Business groups and banking sectors had to dispose of or consolidate their net assets to bring down gear ratios to

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healthy levels. As seen in Table 5.4, the government mobilised public funding and also took over strained assets through the services of a government-owned asset restructuring company called Korea Asset Management Company (KAMCO). KIG also held the view that a number of business groups could raise their equity levels simply by a re-evaluation of their assets without a net infusion of fresh capital or disposal of assets. This financial manoeuvering amongst networked affiliate companies helped business groups leverage their positions vis-à-vis government reform program (Kwon 2004). New issues were released to the equity market and in a number of cases the new equity partners were major foreign corporations who heretofore had no access to such equity positions. It was not until 1998 that one of the top five business groups with a high international profile was let go by the government that business groups went about a fundamental restructuring of group

<table>
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<th>Table 5.4: Public Funding for Banking Restructure 1998-2000</th>
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<tr>
<td>Funding 1998-1999</td>
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<tr>
<td>Banking Sector</td>
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<tr>
<td>Infusion of equity capital</td>
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<tr>
<td>Paying deposits on behalf of the bankrupt financial institutions</td>
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<tr>
<td>Purchase of assets</td>
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<td>Purchase of bad loans by KAMCO</td>
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<td>Subtotal</td>
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<td>Total</td>
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portfolios through realization of viable capital structures. The practice of mutual debt guarantees amongst affiliated companies, in particular, of those leading business groups of the top five, came to an end in this process of easing pressure on short-term working capital, as seen in Table 5.2.

The discussant KIG noted that many subsidiary companies of business groups are publicly traded. Companies went public after substantial resistance to the government’s pressure to list their subsidiaries on the stock exchange to make such stocks available to the public. As a result, publicly listed subsidiary companies associated with the leading thirty business groups in Korea increased in number from fifty in 1986 to one hundred and twenty-two in 1996 (Lee 2004). But such forceful measures of listing subsidiaries prompted business groups to move capital from such publicly traded companies to privately controlled subsidiaries.

The discussant added that business groups considered political donations essential for survival, hence considering them insurance policy premiums. He referred to the ongoing court cases involving major groups for their regular so-called ‘ceremonial contributions’ to senior public servants. He added that the vital link between the wealth-generating business groups of substantial scale and the public officialdom overseeing them was not easy to decouple, is not, and perhaps will not be for some time to come.

The discussant KIG turned to the subject of Confucianism or its humanism. He asserted that it is human-centred with a broadly defined non-agonistic moral emphasis on the unity and harmony of human to nature as a part of Confucian cosmogony and cosmology. He argued that Confucians are awakened to their moral realization facing the destruction of the nature as the abode of humans and all life.

Confucian East Asian countries and business groups, as economic actors as well as major influencers on the well-being of the global ecology, are at a crossroad regarding whether or not to restore and live the teachings of Confucian humanism inclusive of the ‘concern-consciousness’ for nature or otherwise. The discussant was critical of the contemporary market economy-driven ‘homo-centrism’ and its dangerous ecological implications. He referred to the teaching of the Korean Neo-Confucian doyen Yi Yulgok on
the ‘material force’ being the connective cosmological link between all beings (Chung 1989).

5.6 SUMMARY

The above five parts of this chapter, i.e., sections 5.1 through 5.5, have summarized the discussants’ views. Their views were freely expressed as conversations were conducted around the trigger questions. The questions were focussed on the four major themes and associated ten questions; these themes were: firstly, if ‘Confucianism is the foundational ethics of Korean business groups,’ secondly, whether ‘Confucianism remains valid with current management ethics of business groups, thirdly, whether ‘Confucianism offers global strategic advantage, and finally, whether ‘Confucian humanism nurtures global corporate citizenship.’

Consistent with the principles of phenomenographic methodology, as detailed in the earlier part of this chapter, focus group discussions were conducted and covered, firstly, how businesses started based on the Confucian ideals of humanity. Diverse views on the origin and evolution of Confucianism as a belief system were also explored, and followed on the strands of reformation leading up to modernity. The first phase, namely, the ‘inception period,’ has been under the heavy influence of and interactions with government and its economic agenda of national development. Through expansion mostly internally in the domestic market, business groups established themselves as the main forces of industrialisation. Discussants converged on the view that the Confucian ethical foundation was evident in diverse ways, such as maintaining family-focused business organizations and work ethics.

Discussion moved to the second stage of developing into global expansion. As an external vehicle of state-led foreign economic policy, business groups thrived on global expansion. Expansion was the apparent choice for business groups for survival and growth within the context of the government-led economic agenda. This was an era when cross-border expansion and integration progressed in full force.

Relevant discussion was made on the relevance of aspects of Neo-Confucian collectivism to this era, if not in their entirety. This phase of global expansion, however, hinged on an
Achilles heel of heavy debt financing, including short-term loans for large projects. When foreign lenders abruptly recalled loan portfolios, the so-called Asian Financial Crisis occurred in 1997. It put a sudden stop to the frenzied pace of expansion, and the time of ‘settling accounts’ began.

The ‘reform’ process was imposed by the government, which in turn had its broad directions from the donor organizations of the IMF and the World Bank. Discussion covered some aspects of reawakening to the Neo-Confucian ethics of Practical Learning school of thought that equalled the ideology of Confucian response. Business groups, still mostly family-controlled, came under scrutiny, as the issue of governance came to the fore. The government reform agenda, including a rescue package, was conditional upon the adoption of global governance by business groups within a prescribed timetable.

Diverse points were raised regarding whether or not contemporary Neo-Confucianism has the potential to accommodate the challenges of such global governance, while Korea underwent democratization and witnessed the civil society emerging. Substantial discussion occurred on the new political reality for business groups and why and how such political changes occurred, including the observance of a human rights regime.

As regards Confucian capacity for diversity and egalitarian social dynamism, discussions covered diverse sources of Confucian tolerance and ecumenism in history and now, and the resurrection of Confucian demo-centrism on a continuum with human rights in the Western context. By engaging in further discussion on the background, process and impacts of post-reform consolidation of business groups and governance scheme, the theme of global Confucian corporate citizenship of business groups has been examined, such as on the issues of global governance and agency.

Discussants referred to Confucian humanism as the underlying ethos of business group ideals, such as through education, since education was consistently accorded with highest priority. Discussants’ views about Confucian governance and ethics in the conduct of economic affairs attracted substantial attention to the global ecological crisis and what Confucian economic ethics and worldview could offer.
With the above narrative data and its documentary corroborations on the theme of Confucianism and business groups summed up in this fourth chapter, discussion of the thesis moved to Chapter Five, in which the data and documentary corroborations would be analysed and interpreted in conjunction with the corresponding points of the scholarly literature reviews of Chapters Two and Three in the thematic order of the discussions.
Chapter Six: Result and Findings

6.1 INTRODUCTION

This sixth chapter of result and findings covers the analysis and interpretation of the discussion data together with documentary corroborations that constituted Chapter Five. This interpretation of the findings concurrently relates to the corresponding themes, points and content that emerged in the literature review of Chapters Two and Three. Starting with the foundation of Confucianism as the underlying ethics of business groups from their birth, this process of analysis and interpretation moves its focus to Confucianism as contemporary management ethics. Next, the process continues to the evolution of business groups and concomitant Confucian economic ethics such as global governance in the latest phase of the evolutionary process. It concludes with the analysis and interpretation of the outlook on global Confucian corporate citizenship in relation to Confucian humanism as expressed in meeting the critical global challenge such as ecological crisis.

A good part of the theoretical framework that this chapter employs owes much to the literature reviews of the thesis. This chapter undertakes to expound upon the interplay of the multiple levels of the cultural and philosophical layers of Confucian humanism with the evolution of business groups as the economic manifestation of Confucian self-realisation of those who founded and/or manage business groups.

6.1.1 Methodological Notes: Phenomenology of Relations

This findings and interpretation explores into what relation exists and plays its role between the development of ethical ideas and their expressions in economic conducts. This undertaking broadly follows the methodological principle of phenomenography, i.e., phenomenology of relations or relationality (Moran 2000). Focus group discussions provided interlocution amongst the parties in the framework of subjects and relations. Scholarly literatures and documentary corroborations of interlocution reinforce what has been discussed. This cross-weave of ethical themes in one direction and following the trajectory of business groups as economic actors in
another direction is intended to produce a fabric of firmer understanding of the research object as both ideational and socio-economic reification.

6.2 CONFUCIAN HUMANISM AS THE FOUNDATIONAL PHILOSOPHY

Discussants offered diverse views on the question whether Confucianism is the foundational ethics of Korean business groups. Those expressed views have been analysed and interpreted as follows, also aided by what the literature review and documentary evidence suggest.

6.2.1 Multiple levels of Cultures embedded as Confucian Humanism

In the discussions as well as the literature review, Confucianism has emerged not only as a moral philosophy and a lifelong intellectual pursuit, but also as the means of self-realisation for those who founded businesses or those who joined groups to manage them.

Both the discussions and the literature point to the ‘minds and hearts’ aspects of Confucian humanism. A leading Korean Confucian leader such as T’oegye (1501-1570) edited his textbook for crown princes around the theme of taming minds and hearts as the bedrock of the princely virtues, which also applicable to the primates of business groups in modern corporate context. The study of the mind and heart engaged all levels of society. The study also engaged intellectual and moral enquiries and aesthetics. The hearts and minds were to be cultivated and educated to investigate things beyond the banality of superficial daily matters or below the surface of pretensions. T’oegye taught about the ‘immersion’\(^1\) in the depths of the mind and heart to gain enlightened knowledge. Wang Yangming (1472-1529) as the leader of the Chinese school of mind and heart learning suggested that the mind and the principle (\(li\)) are the same, and to understand the universe one needs to seek within one’s own mind first. Both discussions and literature suggested that there exists continuity between the pursuit of heart and mind and that of economic ethics through the creation of business groups and serving the needs of humanity.

Both the discussions and the literature pointed to the immanence of Confucian moral awareness and its religiosity of transcendence. The Confucian construction of social reality coexists with Confucian religiosity. Immanent Confucian moral awareness on the continuum with Confucian

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\(^1\) *hamch’im* (immersion in Korean).
social morals and cosmology settles in the sense of the sacredness (Durkheim 1976) of identifying with and striving to live the eternal purpose through the daily observance of Confucian decorum embodied in rites.

Confucian religiosity is congruent with other major proselytizing religions such as Christianity in Korea. Such Confucian openness is conducive to political collective intentionality (Searle 1995). The thesis of 'collective intentionality' discussed in the literature review that it leads to a positive social dynamic working for the collective interest based on common human dignity, rights and duties-received positive responses from the focus group discussions.

Discussions broadly affirmed that 'the ideas common to its humanism and its holistic collective interest would influence individual and collective will, and they would also determine the roles of actors and how they would interact with the circumstances of the time.'

Confucian self-cultivation and education produces the learning outcome of Confucian social psychology. This social psychology is closely aligned with Confucian state ideology, since such state ideology fosters the way of surviving under the Confucian social hierarchy that Confucian knowledge and power-building brought into being. The Korean Confucians are said to be sensitive to the collective image of self. Korean Confucian self (na) and self-identity (cha’gi) are preserved in the referential self identity and use the facility of Confucian ritualized behaviour (ŭiroesŏng) (Choi & Kim 2003). On the patterns of Confucian social practices, namely, what is often perceived as the Confucian collective or communitarian social behaviours, comparative notes on the collectivism versus individualism (Hofstede 1997) and behavioural patterns have become useful for practitioners of cross-cultural social affairs (Trompenaars & Hampden-Turner 2000).

Discussants inferred a connection between the first generation founders of Korean business groups to the business ethos of Japanese conglomerates, because those founders were educated under the Japanese system during Japanese rule of Korea (1910-1945). Japanese commercial ethics based on Confucianism, made popular by such leaders as Ishida Baigan (1685-1744) and Shibusawa Ei’ichi (1840-1931), was widely acclaimed and shared by Korean business leaders (Tsuchiya 2002). Korean business leaders were impressed by Japanese commercial success and the concomitant realisation of wellbeing for the wider community beyond the political and economic elites. People from West Japan such as Osaka, where there was a high concentration of
Koreans, witnessed Confucian social economic activities through the free for all education service\(^2\) offered to those who could not afford education on the grounds of low social standing and/or poverty.

The Confucian philosophical thesis of religiosity and secularity has re-emerged throughout the discussions and literatures. Discussion and literature both point to the Confucian exercises of economic ethics in the community and industrial spheres of Korea and elsewhere in East Asia. The Confucian ethic is both religious and secular or resting on the boundary between the religious and the secular (Onatowski, Gregory 1998). It is religious in the sense that Confucians through self-cultivation internalized Confucian teachings. It is secular in another sense that Confucians translate those internalized Confucian teachings into practice in the exercise of economic ethics by business means of wealth creation for the larger community or rendering social services for those less fortunate. Economic ethics in this context is consistent with Confucian teachings, particularly those of Confucius and Mencius. Confucian court scholars such as T'oegye remonstrated with sovereigns and commoners alike that the basic Confucian teachings of 'humanity, righteousness, rite and wisdom'\(^3\) needed to apply in the court of the sovereign as much as in the market.

While the discussants’ views were not totally in agreement on the centrality of the mind and heart, its significance is undeniable for the characterization of Confucian influence on the philosophical and psychological orientation of the various Confucian minds of Korea and also known to be common to the rest of Confucian East Asia. The culture that such minds form is dense and multi-layered from the deepest level of personal resonance with one’s mind and heart. The next level of Confucian awareness of being is being in one with one’s next neighbours in life, i.e., family, although physically separated ones. The next level of Confucian consciousness would be that of the social self that aspires to think and act in accordance with the Confucian teachings for superior persons.\(^4\)

6.2.2 Collective Consciousness and Intentionality: Phenomenology of Relationality

\(^2\) *Kaitokudō*: Merchant Academy offering free Confucian ethics and commercial skill education to the commoners.
\(^3\) *jen*, *li* and *chih* (humanity, righteousness, rite and wisdom): the four cardinal teachings of Classical Confucianism.
\(^4\) *chün tzu* (Confucian superior persons).
This formation of multi-level Confucian consciousness of individual and social identities calls for the thick description of its cultural character (Geertz 1973) in order to properly describe and understand its entirety. In terms of Confucian consciousness, the mind and heart exists as the symbol and the principle (li) of the cosmos. This Confucian consciousness implies the epistemological departure point for the Confucian outlook on life and worldviews. The levels of 'cultivated and learned' Confucian consciousness in turn form the topography of mind (Morris 1994) and the spiritual and cultural archetypes\(^5\) that belong to each level of consciousness. The vertical structure of consciousness comes into play with the multi-layers of human psychological planes as individuals and as human-to-human social beings. This structure of Confucian consciousness implies the ontological departure point for the Confucian life-worlds.

Confucian attributes continue to dwell within the minds and hearts and behaviours of Korean Christian and Buddhist adherents, despite their declared adherence to their religions. This external multiplicity is not perceived as an inner inconsistency. It is rather the visible level of the iceberg\(^6\) that shows the conscious level of awareness in contrast to another part of the self or even the greater part of self remaining at the sub-conscious level or the sub-surface level.

Discussants and learned articles consistently highlight the fact that cognition of the conscious or subconscious levels of Confucian life and world only refers to their visibility. It does not relate directly to the substance and existential reality. Emergence and submersion of faiths and religious traditions continued and were repeated, not one replacing another. Those undergoing these dynamic and cyclical processes were the faith traditions of Confucian orthodoxy, Neo-Confucian reformulation, Buddhist and Taoist syncretism, and Christian coexistence within Confucianism among others (Chung 2001).

Discussions and literature both pointed to the enduring tendency shown by Confucians in collective consciousness and comparable accommodation of the collective intentionality that Confucian social ideology implies. The interest was not in the collectivization of individual intentions subservient to the social will, but about how individual intentions would evolve into the communal interest under the influence of self-realization, common ethics and shared social goals.


Confucius (551-479 B.C.E.) is said to have inherited the moral and intellectual tradition of the Chou Dynasty (ca 1122-256 B.C.E.).

Discussion and literature data pointed to the probable motivation of Confucius and his disciples to expand upon the moral tradition. This project would be aimed at morally educating sovereigns and ministers of warring nations together with the peoples under their rule undergoing unbearable hardships. Such sovereigns and ministers would equate to the chairs and chief executives of business groups in the modern corporate context.

The collective intentionality would be conceived to elevate the communal moral plateau to realize the ideals of individual self-cultivation and harmonious governance and putting an end to the chaos and moral vacuum that the Sage witnessed.

The Korean Neo-Confucian teacher T’oegye (1501-1570), in his teaching of the crown princes, is said to have adopted the same principle of communal consciousness and collective intentionality of realizing the same moral horizons across the range of social standings from sovereigns, through scholar-officials to commoners. This Korean Confucian doyen had a substantial following in Japanese Confucian scholarship, including Hayashi Razan (1583-1657) who was serving as the shogun’s mentor. Razan is said to have adopted the principle of realizing the same moral horizons across the social standings from shoguns to the four sub-classes of ruling samurais, farmers, artisans and merchants (Maruyama 1974). The birth of Japanese conglomerates such as Mitsui (inception year 1622) hinged on Confucian ethics of self-realization and service to the wider community. Mitsui and other Japanese groups sharing similar business ethics were active partners with Korean business groups during the early stage of Korean industrialisation.

Literature and discussion referred to the contribution made by the prominent Confucian teacher Wang Yangming (1472-1529). He stayed close to the teachings of Mencius and the Great Learning (Ta-hsüeh), but insisted upon the nurturing and maintainance of the original mind (penhsin) of peoples of all levels, namely, sovereign down to commoners, so as to realize the moral potential of all. The School of ‘Yangming’ studies in China and Korea emphasized this original mind (penhsin) in the egalitarian interest of serving peoples from all walks of life. The School of ‘Yangming’ is called in Japan Yōmeigaku. Yōmeigaku served as one of the important
intellectual cornerstones of Japanese early industrialisation in the Edo era (1603-1867), creating a Confucian middle class comprising mostly craft persons and merchants.

6.2.3 Confucian ‘Governmentality’: Private Public Partnership in State-led Economic Policy

The data highlighted the central importance of education for the Confucian tradition not only as the means of self-cultivation and rearing the next generation, but also as a practical path to political, economic and public service career opportunities, including serving as the founder-manager of substantial business enterprises for the greater good of society at large. Korean Confucian education was centred on the fostering of scholar-officials. Korean educators belonging to the practical learning schools (sirhak) in a broad application of practical learning undertook the affordable education of the commoners through Confucian academies (sŏwŏn).

The literature also informs us that the Yüan Dynasty (1279-1368) of China with its adoption of the Neo-Confucian orthodoxy of Chu Hsi as the state ideology advanced learning through Confucian education as the central endeavour of the state with a focus on producing the nation’s next generation of elites. All three nations shared the Confucian state examination system started by the Confucian courtly scholars of the T’ang Dynasty (618-907) of China. The state examinations had Confucian philosophy as the central themes.

The state examination system still exists within the modern liberal democratic institutions, although the examination content has changed to modern governance discipline. The Confucian tradition endures with this continuation of a state exam system in the belief that those who have attained the high level of scholarship through the self-discipline and character-building of hard study deserve high public office.

Literature and discussions pointed to the conclusion that Confucian political philosophy is best expressed as the central theme of the Confucian Classics of the ‘Great Learning’ together with its accompanying anthology of political practices under the title of Extended Meaning of the Great Learning. The Learning of the Monarch, centred on the Great Learning and its exegeses, while the sovereign and officialdom on the fundamentals of governance informed also symbolising the learning required of the leaders of business groups in modern industrial context. Political power

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8 Chewanghak or sŏnghak (Learning of Monarch), Op. Cit.
and the de facto power of chairing large business group undoubtedly have a significant impact upon the wellbeing, human dignity and economic ethics of community.

According to discussions and literature, Foucault’s governmentality (Ransom 1997) emerges from the interrelationship of knowledge and power, and the interchangeability between the two. As Foucault defined on the disciplines as micro-mechanisms of power, individuals serve the needs of power. Through the extreme concentration of knowledge as the key element of power in the hands of the few, both the Confucian dynastic learned and Confucian business group leaders shared the same privilege of the monopoly of power. When political supremacy is reinforced by Confucian moral orthodoxy, the power service mechanism would inevitably work in favour of the upper echelons of government, large corporations, civic community, family and seniority with masculinity as the privileged gender.

Discussion and literature both refer to the effect that the intense concentration of power combined with, and originating from, knowledge and moral legitimacy produces diverse cultural and social phenomena, applicable to corporate contexts (Hofstede 1997). Cultural and social phenomena would determine behaviours of constituents in a given society with its own cultural characters that would affect the manifestation of power. Confucianism implicitly and explicitly supports masculinity, the power distance of elites and literati, collectivism over individualism, and uncertainty avoidance.

In a Confucian society such as the Yi Dynasty of Korea, where distinct social classes of yangban (scholarly ruling elite) and sangmin (commoners) existed separated by an insurmountable social barrier, 'ascription' would often gain the upper hand over achievement (Trompenaars & Hampden-Turner 2000).

This inherent structural distortion of power has remained a fundamental challenge for universality of human dignity and egalitarian exercise of a fair economic ethics in the corporate context as well, irrespective of social standings. Such hierarchal implications could be certainly applicable to large business groups and their relationship between founding owners and employees.

6.2.4 Self-Cultivation and Education: Their Centrality to Confucian Humanism

Literature and discussion emphasized the central role of Confucian self-cultivation and education, not in modern institutional sense, but as a lifelong learning. Learning hence becomes a process
whereby one enriches oneself, elevates one’s character, and also refines one’s wisdom so that one can be considerate of others and remain true to oneself. This aspect refers to the Way (tao) as the root metaphor in the Confucian classic of the Analects (Tu 1985a). To understand and lead the Way, learning⁹ becomes the central pursuit in life. This learning is not just to acquire more knowledge. It is rather a way to be truly human. Literature and discussion also touched on the aesthetic aspect of Confucian cultivation as it has its resonance in the corporate application of common Confucian culture with the design and marketing of products within contiguous nations sharing the same heritage.

Literature and discussion re-emphasised the central importance of Mencius’ teaching on the cultivation of the heart. He taught that one should strive to make one’s desires few, but without any imposition of asceticism. Egalitarian concerns expressed in the teachings of Mencius are that the basic bodily needs of all human beings need to be met before the metaphysical quest commences. Such egalitarian expressions stressed the duty of the political or corporate leaders to meet the sustenance needs of the people before educating them. The secular Confucian worldview prioritizes the basic needs of living and preferably the wellbeing of the wider community of commoners ahead of the Confucian aspiration for a holistic moral society with emphasis placed on the privileged few of the learned.

6.3 CONFUCIAN HUMANISM AS MANAGEMENT ETHICS

6.3.1 Confucian Humanism as the Basis of Economic Ethics
Confucian teachings of humanity and furthering self-cultivation with the communitarian interest at heart, i.e., public mindedness, has characterised the two millennia of Confucian tradition. The Confucian cardinal virtues of ‘humanity, justice, rites and wisdom’¹⁰ became the foundation of Confucian humanism. They continued to nurture the Confucian way of humanism through the self-cultivation of individuals and also by serving the community as Confucian social beings with the integrity expected of self-cultivated Confucian superior persons. Thus, Confucian humanism became the bedrock of the management ethics of Korean business groups.

⁹ hak (learning: Korean), hsüeh (learning: Chinese).
¹⁰ jen, l, li, chih (humanity, justice, rites and wisdom).
The discussions produced a broad agreement on the veracity of Confucian humanism as an embedded set of values within the tradition of Confucianism-based business groups. Discussions and the literature also noted that the nation’s history and political circumstances left diverse footprints in the past and present attributes of Confucian humanism and how it played out in the way business groups were to perceive their roles within the context of Confucian humanism.

Confucians followed in the education and self-cultivation processes a structural path of cognitive and affective development (Wadsworth 2004) within the over-riding theme and framework of Confucian humanism. The discussants pointed to the aspect that a structural path of ‘cognitive and affective development’ was empirically evident in the social tradition Korea. Such a path determined the systems of knowledge and its progress in both intellectually and emotionally rewarding ways, and broadly agreed to having reaped the positive affects and effects in their shared intellectual and cultural history.

The discussions and reviewed literature both point to the emergence of a certain identifiable mental and spiritual structure and orientation that the peoples of the Confucian faith exhibit individually and collectively in their consciousness of self as a Confucian being and also as a socio-economic being within the Confucian context of the ‘extended family’ that determines their broader societal domain of human engagement.

6.3.2 Confucian Self and ‘Greater Self’
The Confucian consciousness of ‘self’ transforms itself from the relational framework of self-to-world of subject-to-object contrast to a new relational plateau (Bowden & Green 2005) of self-to-another-self within the paradigm of Confucian humanism. Conversely, under this new relational framework, Confucian humanism represents one outcome of a shift to the epistemological paradigm in terms of who we are and how we relate to one another (Chung 2001). Confucian rationality based on this understanding of the self and life-world would go on with the building of their relationship and what they would perceive as the liveable life-world, such as founding the business groups for the creation of wealth as a means of broadening welfare for a larger community.

Further to Confucian understanding as such, the discussions and the literature referred to the psychological structure of self and super-self consciousness. The thesis was that, within the
Confucian ontological structure of self-identity and the super-self as the social Confucian selves,
Confucians inherited and maintain their self-portraits of the minds and hearts or the archetypes of
anima (Jung 1971).

The Micro-cosmos of Confucian selves resides within the perceived perfect unity with the
macro-cosmos of the Confucian universe. Individual awareness and that of the community of
Confucians also stay on the different planes on their topography of minds forming the iceberg of
the conscious, pre-conscious and subconscious levels of Confucian self-awareness.

The discussions and the literature review also referred to the Korean Confucian doyen T’ogye
(1501-1570) and his seminal metaphysical and cosmological work of the Ten Diagrams of Sagely
Learning. His work was underpinned by his structural self-awareness within the moral universe.
Such epistemological and ontological frameworks are consistent with those of Chang Tsai
(1020-1077) who was one of the three great rejuvenators of the Neo-Confucianism during the
Northern Sung Dynasty (960-1126) era in China.

The discussions and literature also pointed to other unique patterns or structures of Confucian
approaches that respective national cultures of Confucianism evolved into, and continue to share
and which differ from one another to this day. Koreans embraced the symbols and signs of the I
Ching as the national emblems and continue to mobilize dedication and aesthetic endearments
around such semiotic entities with little alteration and resistance as they keep trusting in the
universality and timelessness of their values.

The Confucian mind and hearts wear the mantle of the socialized structures that such Confucian
symbols created through symbols and signs that abound in the I Ching, and, more importantly, the
‘ideograms that grew from the symbols and signs of nature’, that the three nations have shared
over the last two millennia. The collective socialization of Confucian symbols is pronounced within
the nations’ foundation myths, such as Tan’gun of Korea, for which later Confucians mobilized
Confucian decorum to add legitimacy and to embellish its sacredness. The national myths
(Lévi-Strauss 1992, ch. 11) about the culture’s foundation and genealogies tracing back to the
divinity remain powerful, and they consistently received nourishment from the riches of Confucian
resources. These external ‘structures’ of Confucian origin in turn can pose as an independent
social reality with little or no bearing on Confucian minds and hearts.
Discussions and literature also pointed to the dialectical relationship between Confucian ideals and the structural reality of the Confucian societies that they helped create, including business groups in the modern corporate context. Confucian scholar-officials often found themselves fighting their own shadows, such as through the protracted factional struggles in the Yi Dynasty (1392-1910) of Korea. Such Confucian societal evolution also refers to a pattern emerging as a structural dilemma. The Confucian structure of intellect and ethos produces a set of knowledge and reality as a new construction.

The literature refers to the theories of the principles of Jean Piaget's constructivism (Wadsworth 2004) in relation to the Confucian domains of education, intellectual autonomy or lack thereof, and also on fostering moral reasoning and moral behaviour. Literature with the implicit support of discussions referred to the fact that Neo-Confucian Korean society formed a new epistemological and ontological structure both of humanism and secularism in the practice of economic ethics and governance, including those of business groups.

6.3.3 Transcendental Intuition and Interactions with Taoism and Buddhism
Both discussions and the literature pointed to the significance of the Confucian capacity of transcendental intuition and imagination that had been reinforced down through the ages of interactions with Taoism and Mahayana Buddhism. Confucian metaphysics as such relating to the ‘transcendental intuition’ continued to influence twentieth century Neo-Confucians such as Hsiung Shihli (1885-1968) and Mou Tsungsan (1909-1995).

Metaphysical balance between intuition and reason implied the balance between the substance (t’ī) and function (yung) within the unity of heart, intention and conscience. Hsiung for example, sought to overcome the division between intuition and reason, since he believed that they are not just indivisible, they are in a relationship of identity.

6.3.4 Confucian Aesthetics and Signification
Discussions and literature pointed out that Confucian self-cultivation fosters literary and other aesthetic pursuits as the foundational qualities essential to becoming the superior Confucian person (chūn tzu) as well as being a courteous form of communication. It also facilitates the passing of the state examination that is essentially a test of poetic rendition of Confucian wisdom.
written around the question on Confucian humanism in public policy, including socio-economic service through managing large concerns such as business groups.

The Confucian aesthetic imagination had been greatly influenced by Taoist and Buddhist traditions. Through aesthetic pursuits, Confucian minds found the peace and unity with nature that represented the perfection of beauty (Cheng 1991). While not contradicting the so-called Confucian four cardinal virtues of humanity, righteousness, rite or decorum and wisdom (jen, i, li and chih), Confucian appreciation of nature and beauty as influenced by Taoism and Buddhism makes them comfortable with the altered version of Confucian humanism in which ‘truthfulness, goodness and beauty (chin, sŏn, mi)’ are the integral values in life and the foundation of their worldview.

Data from the discussions and the literature are in broad agreement over the fact that aesthetics lies as the bedrock of Confucian humanism, in particular with the under-represented social class of commoners. Through aesthetic outlets, they had the chance of self-expression and self-realization through artistic and literary pursuits. In the non-official domains of the Yi Dynasty of Korea, the literary works of Hŏ Gyun11 and Kim Man-jung12 portrayed life under Neo-Confucian dominance, and offered rival worldviews. The socially under-represented were portrayed in a lively fashion and it is clear how they lived their non-royal day-to-day lives with their own private sets of Confucian mind and heart despite the state machinery of Neo-Confucianism they were under.

6.4 EVOLUTION OF BUSINESS GROUPS AND CONFUCIAN ETHICS

Business groups emerged at the forefront of the economic development of Confucian East-Asia, including Korea. A number of theories and thoughts have been advanced about what triggered these economic drives, and why business groups became integral instruments of this endeavor. Discussions and literature both agreed on the ‘flying geese’ paradigm fitting Confucian model, if not perfectly. Japan led and set an example for successful industrialization. The government of Korea, together with the rest of Confucian East Asia, followed the example of Japan in the belief

12 Kim Man-jung (1637-1692): a major literary figure and official-scholar of the Yi Dynasty Korea.
that contiguous culture and workforces with common Confucian educational backgrounds would be well placed to accomplish comparable success.

Due to limited national resources, and a scarcity of natural resources in the case of South Korea, the political agenda for economic development was designed into clearly phased steps such as serialized five-year economic plan. Government needed commercially based economic actors to explore the global market because the local market was still immature and too small in scale to absorb outputs of such ambitious industrialization and building of export manufacture capacity. This government-led economic development required the creation of business groups to play the commercial role in the foreign economic policy (FEP) (Cho 1994), mainly to explore and expand heretofore non-existent export markets. This design was to expedite national climbing on the ‘development ladder’ in the pattern of flying geese (Burkett & Hart-Landsbert 2000). The design required sharing roles between the government and business groups. The government set the direction and rationally allocated the limited resources. Business groups in turn were expected to expand the ‘economic playground’ of global markets through export expansion. This public and private partnership is a Confucian familial mode of patriarchy. Internally within business groups, founding chairpersons resembled the father figures of the family where each member of the family is to perform within the context of Confucian family ethics for the greater purpose of the extended self (Tu 1985a).

6.4.1 Inception and National Expansion: Classical Confucianism: Extension of Family Ethics

Discussions and literature offered a diverse cross-section of views on how business groups were created in response to the government plans for economic development, and how the groups after their inception expanded nationally by engaging in multiple business sectors that were found necessary and lucrative in the light of government policies on resource allocation.

Discussions and literature touched on the main triggers for national expansion, while Confucian ethics of family-based business remained an undercurrent of this era. Discussions and documentary corroborations supported the thesis of Korean ecumenical religiosity. This implies that over ninety per cent of Koreans would agree to Confucian embedding as a way of life, independent of individual affiliations with other leading declared religions of Korea such as Buddhism, Protestant Christianity and Catholicism as shown in Appendix 4.3.3 (statistics).
religious landscape is certainly applicable to those within business groups whether in the commanding position as chairs or senior managers.

Discussions and literature alike referred to the relevance of the concept and tradition of the very first national Confucian academy and its models around the country throughout history and today. It is significant that the very naming of the first national Confucian academy or Sŏnggyun’gwan\textsuperscript{13} was intended to emphasise the egalitarian ideal of the realization of equality. Such an intention was self-explanatory in that this institution was established to educate and train the scholar-officials and, in the modern corporate context, senior executives of business groups to serve the people and the sovereign or chairpersons alike in order to realize the equality of benefits to all. It is no surprise that this academy became a modern major university in Korea, with the help of financing from the leading business groups, so that the expansion of its faculties and internationalizing its education program could proceed.

It was also reflected through discussions and literature in this context that the Confucian intellectual tradition was not a monolithic prescription for inflexible hierarchy. As shown in the antiquated word of ‘sŏng-gyun’ or realization of equality coming from a verse in the Rites of Chou (second century B.C.E.), there was an early ethical and intellectual concern on the part of Confucian ideologues for egalitarian social wellbeing. It represented the principle of balancing the sagely rule of the sovereign in the interest of social stability vis-à-vis the potential abuses of sovereign power.

As to how Korean business groups or conglomerates, also known as chaebol, are qualified, discussants referred to the Korean laws coming under the so-called Fair Trade Act (FTA).\textsuperscript{14} The government and public refer to Korean business groups as the thirty largest business groups, announced yearly by government. Annual public announcements would list the thirty leading business groups, including details of the affiliated companies under their control, thirty per cent of ownership or beyond.

\textsuperscript{13} This state Confucian academy was established by the Koryŏ Dynasty (935-1392) of Korea in 992 and became the central academy of advanced studies for those select scholar-officials chosen to serve throughout the period of the Yi Dynasty (1392-1910).

\textsuperscript{14} Fair Trade Act of Korea is in full ‘Monopoly Regulation and Fair Trade Act’ of Korea.
On the epochal point of departure during the inception period of business groups in Korea, discussion and literature commonly attested to the point that groups benefitted from working closely with the government including through post-WWII Korean government disposal of public assets formerly owned by those Japanese who left Korea after defeat. That disposal was the first bonanza lucrative enough to financially bolster business groups in their infancy. Government assumed the role of Confucian father figure overseeing the interests of the new nation through the medium of business groups as family members, participating in national economic development. Through this affective Confucian human relationship built between politicians, bureaucrats and business tycoons, early Korean business groups could engage in import and export with the use of government-held foreign exchange reserves that were quite limited in the contemporary context (Lee 2004).

As regards the early formation of business groups, discussion and literature pointed out the growing pains they suffered in nationally expanding fast to catch up with the government-led economic policy, while they had to compete successfully vis-à-vis other peer business groups. It was not practically feasible for each member of any given group to become a successful competitor in the open market from the outset. Instead, business groups evened out profitability of multiple products under the wing of the group by adopting group level pricing policy (Deng & Yano 2006), thereby promoting the broad benefit of all member companies, instead of any individual unit company’s profitability.

According to both literature and discussion, there is an apparent difference between Korean business groups and Japanese business groups/networks called keiretsu. Korean groups are closer in character to the Japanese conglomeration system called zaibatsu (Miyashita & Russell 1996) that used to dominate Japanese economy in pre-WWII Japan, still under the influence or control of dominant founding family-based shareholders or management. The current keiretsu is more of a voluntary association of companies without such concentration of shareholding or managerial power in the hands of chairs or their families. Korean and Japanese groups have a lot in common, yet remain substantially different for the reasons given above.

Hence the way strategic decisions are made by business groups of the two countries can be substantially different, owing to where the ultimate accountability rests in case of success or failure.
This difference is significant because business groups of both nations now compete globally in similar industries where strategic decisions can have markedly different outcomes in such significant industries as automotive, semi-conductor, ship-building, iron and steel, digital communication infrastructure and information highway (Choi & Yoon 2002).

Government adopted what can be called a Confucian hierarchical approach to the issue of managing business groups based on strategic policy incentives such as low cost loans. Business groups evolved their own path of diversification during this period, following closely on incentives open to firms capable of delivering on desirable projects, or facing denial of opportunities (Song 1997). Discussions and literature agree to such an approach having a decisive influence over how Korean business groups faced their fortunes of success or failure, and also how they chose their ultimate corporate strategy. Such a symbiotic relationship strengthened the Confucian family hierarchy between government and business groups.

As regards public and private partnership of Confucian hierarchy between government and the business sector, discussion and supporting documentation suggest that there was a productive momentum beyond affective relationship and cross-subsidisation. There arose a social dynamism originating in the early economic successes experienced communally by Korean public, government and business. There was a community development program called the New Village/Community Movement, also known as the *Saemaul Movement*,\(^\text{15}\) launched in 1970 by the then incumbent president Park. He acted as a father figure for the nation that was mobilised toward modernisation and industrialisation in a holistic approach beyond simply an economic plan. Although such a movement was highly politicized, it had an enduring currency amongst the Korean public.

Discussions and literature dwelt on the other aspects of de facto partnership between government and business. While groups thought only of increasing their sheer sizes within key strategic industry sectors rather than enhancing their competitive performance, the process of group growth involved the integration of business factors, with efficiency coming from economy of scale, and reduction in transaction costs coming from communal research, purchase, finance and marketing. The first phase of business group expansion began to form a diverse network of subsidiaries and affiliated companies, building the infrastructure necessary for export-purposed manufacture. This

process laid the ground work for the eventual formation of global commodity/production chains and networks for creation of better value. Integration occurred both vertically and horizontally. Added to the still lower cost labour advantage, business groups began to offer a strategic advantage to their major international clients by way of providing a steady source of competitively priced products with shared management of quality control. Popular transactional methods were original equipment manufacturing, original design manufacturing and/or, with licensing or franchising, original brand manufacturing (Kim & Jeong 2002), with all consistently geared to satisfying international buying interests.

Another aspect of the expansion of business groups was covered in the literature and discussions on the emergence of an internal market within the business groups. In principle, such in-group complementary integration, economies of scale and efficiency would contribute to the creation of a competitive edge. However, it was also noted that negative attributes inherent in internal market emerged as well. Complacency with quality, cost and service structure, and reduction of the competitive edge of each company and its products in the open market both became a noticeable. It is noteworthy that such negativity imposed additional burdens on business groups eventually, beyond high financial costs due to the convention of group operations at high gear ratios.

6.4.2 Global Expansion: Neo-Confucian Collectivism: Divergence and Cross-vergence

Confucian orthodoxy had served as the state ideology for over a millennium before the era of Neo-Confucian reformation began. Reform became necessary because Classical Confucianism proved more inclined towards serving the ruling class as statecraft, whereas the ruled or commoners remained vulnerable to poverty and abuses of power by the sovereign or those ministers serving him. The way of managing business groups with Confucian ethics had to undergo substantial change when groups began branching out internationally and establishing subsidiaries and joint-ventures in many parts of the world with diverse cultures other than those familiar with Confucian ways.

Both discussions and literature placed importance on the role of the so-called general trading company or corporation (GTC: or in Korean chonghap sangsa). They were the international flagship companies and front management vehicles for the global expansion of business groups. Their functions varied from being export-import arms for group affiliates and other product-based companies, sourcing strategic raw materials, and packaging large international projects including
financing them. They represented the competitive scale of economy as well as focal points of
global business information. Because business groups conducted collective promotion of their
corporate image through these flagship companies, they became household names to consumers
worldwide. Divergence of economic and human resources occurred in step with cultural
diversification of business groups. It was also noted that Korean general trade firms as such
learned from the experiences of Japanese general trading firms commonly called shōsha.16

It was also pointed out during discussions and through literature that an ethos of Neo-Confucian
reformation arose in dealing with the project of global diversification by business groups.
Divergent views and cultures of key foreign markets and stakeholders became just as important
as the views held by those heads at the headquarters, most importantly those of group chairs.

In this process of diversification, it was noted by discussants and in the literature that business
moved to create and expand the global commodity chains (GCC), global value chains (GVC) and
also global production networks (GPN). Such transnational processes not only re-configured
business and economic activities, but also projected the national interest through business groups
representing a substantial share of the national economy in relation to client states (Yeung 2007,
pp. 7-9). Korea and the Korean economy became a full participant in the so-called ‘world system’
through business groups operating globally within this world system (Wallerstein 2000).

Neo-Confucian egalitarian outlook and life-world view became more amenable to the considerable
globalising process of Korean business groups in terms of sophistication and articulation
comparable to those of the forerunner business groups of other countries. Despite the globality of
such expansion, the business groups of Korea maintained this strand of Neo-Confucian cultural
underpinning in building and grooming new relationships with their counterparts overseas.

It has been noted by discussants and in the literature that business groups undertook global
expansion by continually placing heavy emphasis on the educations and lifelong learning
attributes of Confucian tradition. This emphasis on self-cultivation, character-building and
education helped with the strengthening of intellectual capital for global knowledge-based industry
sectors facing global competitions (Ungson, Steers & Park 1997).

16 General trading company (GTC): chonghap sangsa in Korean, sogo shōsha in Japanese, as mentioned in the former chapter.
As regards another major wave of change awaiting business groups with the incoming presidency of Kim, Young-Sam (1993-1998), discussant offered a view on his sweeping policy of the so-called internationalization\textsuperscript{17} and liberalization\textsuperscript{18} code named the YS policy. This policy of liberalization effectively removed all the restrictions of a financial and governance nature imposed on business groups. The discussants, with the support of literature and documentation, asserted that the crisis of 1997-2000 was presaged in this policy orientation as the national economy became rudderless. For business groups could expand internationally without home government intervention, raising unbridled debt level to finance expansions that often became excesses.

This opening of the YS government era also allowed the skyrocketing of Korean wages thereby forcing relocation of labour intensive Korean industries offshore. The government preceding ‘YS,’ namely, that of Roh, Tae-Woo (presidency 1988-1993), did not succeed in persuading business groups to trim down to core businesses only and to reduce debt levels. Business groups became more self-reliant and confident in their own survival, having created internal financial service utilities. Business groups could also mobilize sufficient political leverage and successfully out-manoeuvred the government reform agenda. It was not a total success for business groups, because such track records weakened public support that later became essential for any rescue plan in times of crisis for business groups (Diamond & Shin 2000).

6.4.3 Global Challenges to Confucian Business Ethics: Strategic Advantages and Drawbacks of Confucian Business Ethics

The business groups of Korea with their management ethics based on Confucianism, as per the discussants and literature, enjoy diverse strategic advantages, namely, a closely knit organization of dedicated well-educated workforces, macro policy fine-tuned with the government, rich social capital within the organization and without and long-term strategic planning made possible by drawing a larger socio-economic landscape.

The advantages named so far are grounded in the intense concentration of knowledge and power within the heads of business groups and the top organisations supporting the highest levels of decision making. On the matter of such a Confucian hierarchical approach adopted by business groups from the early stage with full allegiance owed only to the chairs of father figures, both

\textsuperscript{17} Internationalisation (segyehwa).

\textsuperscript{18} Liberalisation (chayuhwa).
discussions and literature highlighted an important drawback of both moral and legal significance.

Each business group member company is legally registered as an independent legal body represented by the board members and shareholders. On the other hand, directors on boards are more often than not appointed by chairpersons to represent the interests of chairs. Chairs, and company directors appointed by chairs, are exercising the privilege of the concentrated power-knowledge (Ransom 1997), at times wittingly and on occasion unwittingly, in excluding outside stakeholders.

In the length of Confucian governance history, Confucian political philosophers warned of such drawbacks. The Confucian canonical Classic of the Great Learning together with its accompanying title of the Extended Meaning of the Great Learning19 provides an anthology of political practices or cases studies of the Learning of the Monarch.20 These Confucian versions of political science texts provided sovereigns and officiodom with guidance on the fundamentals of governance. The orthodoxy of Confucian rule came to reinforce its political legitimacy, just as the control by the corporate chairs does today. Confucianism also implicitly and explicitly supports masculinity, the power distance of elites and literati, collectivism over individualism, and uncertainty avoidance. In a Confucian society such as the Yi Dynasty of Korea, where distinct social classes of yangban (scholarly ruling elite) and sangmin (commoners) existed separated by an insurmountable social barrier, ascription would often gain the upper hands over achievement (Trompenaars & Hampden-Turner 2000). This inherent structural distortion of power has remained a fundamental challenge for universality of human dignity and exercise of a fair economic ethics irrespective of social standings. Such hierarchal implications could certainly be applicable to large business groups and their relationship between founding owners and employees.

As long as business groups maintained their domains of business within the nation where other groups would follow the same practice, such legal misrepresentation was swept under the carpet. But with globalisation of the economy and the democratisation of Korea with rising minority share activism, this matter is waiting to grow into a substantial governance issue. The interests of non-group shareholders have been long overlooked such as through the ‘managed declaration’ of

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20 Chewanghak or sŏnghak (Learning of Monarch).
profit or loss statements as directed from the group point of view.

6.4.4 Crisis and Reform: Reawakening to Neo-Confucian Egalitarian Ethics

Business groups expanded nationally and internationally mainly through government loans and international borrowing to finance their ambitious projects in the years leading up to 1997. The government lost control over the already complicated mechanism of corporate financing done in-house, nationally and overseas. The central bank could not tally the national total of indebtedness simply because there was no way of knowing it unless told by business groups on a voluntary basis, which seldom happened. International lending institutions felt insecure and concerned about public-private amnesia occurring in a number of the newly industrialising nations including Korea (Hong, KS 2003).

There was no concern within the government sector of Korea about the possible crisis quietly building up. In late 1997, the recall of international loan portfolios with both banking and corporate sectors of Korea began without allowing the usual rollovers. Both the government and business groups were caught by surprise over what they perceived as an unexpected accident. On the other hand, financial gurus had long warned about the possibility of the mountain of debt collapsing under its own weight (Bongini, Ferri & Hahm 2000).

Both discussions and literature support the core points that there was a fundamental issue of transparency and governance with financial transactions within business groups and without. There was an apparent lack of effective government oversight. The crisis was a collective and systematic letdown. The underlying problem and possible solution to it were both fundamental and far-reaching in nature and scope. The crisis was effectively a declaration of insolvency by the international financial community addressed to both the government and the business community of Korea (Hong, KT 2003). Public reaction was disbelief, because the country was under the euphoria of ongoing economic success. Confucian collective ethics that permeated both the public sector and private business groups came under scrutiny for their failure with fundamental ethical practices of due diligence with transparency and governance. The ethical strength that underpinned the success of business groups defied its own validity in the face of such holistic condemnation of its practices.
It was also agreed by both discussants and in the literature that acceptance of both financial and ethical responsibility on the part of government and business leadership was total and immediate. For they accepted and agreed on the immediate action plan on the financial rescue package with conditions attached vis-à-vis total reforms on debt structure and the corporate-public governance system. These conditions mainly came from the IMF and World Bank who represented the funding institutions.

It was also pointed out in discussions and literature that the holistic and forcible reform agenda could be carried out because the newly instated president Kim, Dae-Jung was a dissident leader who had long fought against what he termed government-business collusion.

This crisis and subsequent reform, discussants and literature concurred, brought about a necessary transformation that business groups themselves should have made on their own a long time before. For these reforms are as fundamental as fixing the debt ratio at a healthy level and making management accountable for the outcome of company results according to the commercial laws of Korea. Business groups became monolithic entities simply by multiplying their critical mass, becoming incapable of self-correcting their own ills (Harvie, Lee & Oh 2004). The Confucian ethos was inescapably an underlying element. Discussants argue, and literature supports the view, that Confucian ethics from the age of antiquity has repeatedly warned against excesses of this nature. It was a re-awakening to the ethical principles of Confucian humanism and its associated ethical responsibilities such as fair governance and integrity in relation to serving the public interest. The reform did not signal the end of Confucian ethics, but a new beginning with such a re-awakening to the fundamental virtues and moral responsibilities.

This crisis and subsequent reform, discussants and literature noted, brought a wave of public condemnation of the government-business moral and financial liabilities in that, in the process of rescue, funding eventually had to be covered by public funds, namely, the tax payers’ liability (Kwon 2002). Civil societies, also supporters of the Kim, Dae-Jung government, were quite vocal about the transparency of the process of the major national economic reshuffle.

Other discussants and documents pointed out that the governance frameworks of business groups based on Confucian ethics were not firmly institutionalised enough to function and respond to such a crisis. Chief executives would only keep up the growth and repute of groups without
raising objections, even when necessary, with the group management as to the way businesses and finances were managed in such a precarious way.

Discussants and literature both supported the point that the reform in the end strengthened the health of Korean business groups who successfully survived reforms in terms of radical restructuring of finances and a re-focus on core businesses, transparent accounting and establishing accountability to the minority shareholders that was long overlooked under the aegis of chairs. Confucian business ethics underwent a drastic change and had to recover the essence of egalitarian demo-centric moral values that the Confucian forefathers long pursued in history and that contemporary doyens continue to uphold.

By the year of 2000 when the first phase of reform was complete, Korea saw half of the thirty largest business groups disintegrate and those business groups who survived financially restructured to a debt level of an average two hundred per cent, down from six hundred. Having survived the crisis that almost sank Korea Inc., the economy of Korea recovered to its full strength, repaying the IMF rescue loans. Confucian humanism and its economic ethics faced the challenge of meeting and sustaining a new socio-economic environment that fell upon government and business groups.

6.5 GLOBAL GOVERNANCE: GLOBAL CONFUCIAN HUMANISM

While business groups had a global theatre for their trading activities, they remained over-sized Korean local companies working overseas in the qualitative context, which yet to embrace what are accepted as global practices in governance and other critical aspects. Crisis and its shock therapy became sufficient impetus for unprecedented changes. Business groups also took initiatives to work on such changes to themselves and their relationships with external stakeholders. They benchmarked with the best practices of the world leading business groups such as General Electric (G/E), working frequently with global consulting firms in mapping out their future. Some business group leaders declared that their changes are now to become the world’s best (Lee, DW 2007). Despite this wave of changes, the Confucian ethics were not fundamentally challenged. Instead, they looked into the alternative strand of Confucian humanism that would support such a move to divergence and globality. Confucian DNS remained embedded, below the tip of the iceberg (Geertz 1973) that floated in the rough waters.
6.5.1 The Emergence of Civil Society: Evolution of Confucian Governance

The Korean polity underwent a fundamental change by bringing to an end the military governments of 1961-1987. During the 1997-2000 crisis period, governments changed hands between democratically elected civilian presidents. Civilian presidents embraced business groups in matters of the economy, because the export performance of business groups was the lifeline of a country relying for seventy percent of her economic activity relying on external trade. When the 1997-2000 crisis set in, government bureaucracy and business groups became the apparent culprits to the enraged public. The government had no choice but to turn up the heat on business groups to produce visible outcomes of their reforms. Reform of business groups had to accommodate what this young civil society required. The challenges were democratic principles applied in fairness to all societal stakeholders, including the labour forces (Park 2002) that had already become substantial political forces under civilian governments. Literature and discussions covered how the Confucian governance ideal that was first spelled out the in the Classical canon of the Great Learning and its anthology of sovereign policy application evolved to the stages of civil society, and the globalism that has already penetrated the public and private sectors of Korea, including business groups.

6.5.1(a) The Governance Ideal within the 'Great Learning' Framework

Both the discussions and the literature commonly highlighted the Great Learning\textsuperscript{21} as the orthodox Neo-Confucian canon on governance, while it is also the one of the four main Confucian canons. The 'Great Learning' was written to suggest the Confucian ideal of governance in nurturing and installing the humane flourishing of the sovereign as a sage. The dictum of the 'Sage within and Kingliness without'\textsuperscript{22} refers to this ideal. The Confucian philosophy of governance in the 'ching-shih (ordering of the world)' has become the cornerstone of what Confucian humanism could bring about in the real world.

Beyond the symbolic dictum of the 'sage within, king without,' the Great Learning spelled out other governance terms such as the so-called three headings and eight particulars\textsuperscript{23} as the policy implements that have remained the mainstay of Confucian governance. Mencius offered the

\begin{itemize}
\item \textit{taehak} (Korean), \textit{ta-hsüeh} (Chinese).
\item \textit{neisheng wei wang} (Sage within and Kingliness without).
\end{itemize}
egalitarian teachings and practices, and continued to be the central figure of Confucian governance ideals with concerns for the under-privileged.

Discussions and literature agreed to the deals of compassionate governance proffered by Mencius. It has been also agreed to that Mencius was and is the central figure extolling Confucian sympathy, ethos and concern for the underprivileged commoners. Also emphasized was his insistence on the ultimate goal of governance how to care for the commoners in securing subsistence and providing chances for self-cultivation and leading meaningful lives despite their social standing.

It was also noted by discussants and in the literature that the elevation of Confucianism to orthodoxy as the state ideology in the era of Former Han Dynasty (206 B.C.E.-8 C.E.) was momentous in perpetuating and deepening Confucianism both as belief system and governance ideals. The emperor of the Former Han Dynasty accepted Confucian ideology introduced by then serving Confucian scholar-premier Tung Chung-Shu (circa 195-115 B.C.E.),\(^{24}\) and Confucianism remained as the state ideology in the Confucian East Asia for the last two millennia until China and Korea became republics in the first part of the twentieth century.

Tung emphasized the Mencian virtue of maintaining political equilibrium between the sovereign and the commoners as well as the need of factoring in a remedy against the possible abuse of power (Min 2000). In the Korean context, a parallel was drawn with the ideal of the mythical founding father of the nation, \textit{Tan’gun}\(^{25}\) in relation to Confucian humanism and often associated with the founding ideals of business groups. The ideal called for the broadest possible benefits to humanity\(^{26}\) and became a common founding ideals including business groups since its embedding into Article Two of the Basic Law of Education\(^{27}\) of contemporary Korea.

The discussions pointed to, and the literature corroborated, the decline in terms of Confucian governance and its processes through its aging, abuses of power, and the calcification of

\(^{24}\) Tung Chung-shu (Dong Zhoungshu: circa 195-115 B.C.E.) was a scholar in the era of the former Han dynasty (206 B.C.E.-8 C.E.).

\(^{25}\) \textit{Tan’gun} is a legendary founding father of Korea. The history of Korea written during the Koryô Dynasty (935-1392) records the foundation of Korea as having taken place in the year of 2333 B.C.E.

\(^{26}\) \textit{Hong’ik In’gan} (the broadest possible benefits to the humanity).

\(^{27}\) Chapter One: Article Two of the Basic Law of Education, the Republic of Korea, as amended November 2005 prescribes for ‘the Ideal of \textit{Hong’ik In’gan},’ namely, the ‘broadest possible benefits to the humanity.’
governance institutions, rendering it incapable of responding to the challenges of modernization forced upon the East-Asia. The data highlighted the institutional deficits of Confucian governance and its lack of flexibility and adaptability in meeting external and internal challenges. Warring periods both in Korea and China often incapacitated the Confucian hierarchy in their caring for the commoners’ lives.

It was also implied in discussions and literature that a fresh look into the divergent sides of Confucian worldviews may be worthwhile. Those worldviews were held throughout history during times of great change such as during the Neo-Confucian reformation era. In the thirteenth century, The Chinese empire lost its rule to the invading the Mongols who established the Yüan Dynasty (1279-1368). The Emperor of The Mongolian Yüan Dynasty was converted to the Confucian state ideology which gave a great boost to Confucian orthodoxy but also provided a fertile ground for corruption by Confucian scholar-officials. This historic turn of events gave a boost to Neo-Confucian movements with diverse branches of thought on reforms that continued up to modernity in nineteenth century.

6.5.1(b) Democratization and New Politics: Confucian Demo-centrism
It has been highlighted in diverse discussant views and literature, and also emphasized earlier, that the relevance and relationship of Confucian humanism to the evolution of the Korean nation and its impact upon Korean social and economic policy. The foremost Confucian reference to humanism is still traced in the teaching of both Confucius and Mencius about human centrism or demo-centrism.28

Confucius laid a broad foundation, while Mencius provided more specific ideas about Confucian humanism by emphasizing the importance of demo-centric concerns (Legge 1970). Mencius became a milestone in the Confucian tradition of humanism, also known as Mencian human centrism or the Mencian doctrine of human dignity (Lee, SS 1996). The Mencian idea of Confucian humanism relates not only to morality, but also or more importantly is concerned with the basis for maintaining human dignity such as a sovereign’s duty to provide for the subsistence of the people and to guarantee the mental space for freedom of thinking. This ideal has a resonance with

28 jenpen chui (renben zhuyi: human centrism or demo-centrism).
modern Confucian ideals of the democratic polity and the duties of both of government and business group leadership, presenting no fundamental conflicts in ideas.

The discussions and literature data pointed to the fact that the intentionality of Confucian humanism was translated into the formulation and institutionalization of Confucian governance. It was a bold prescription for moral grounding to overcome the process of struggles and to realize an ideal society. It was far from being a recipe for self-perpetuating peace. Confucius and his disciples were born into warring states, and his teachings were not entirely embraced by those sovereigns then governing. His teaching of humanity became a basis of a political mandate for those willing to strive for and capable of attaining the level of moral character that encompasses self-cultivation, concern for community and the unity with *Heaven* as the source of the eventual mandate.

Classical teachings of the Confucius school, however, faced severe challenges on the grounds of their various alleged weaknesses and vulnerability. There was an apparent institutional friction with the legalists who insisted upon more firmly and clearly spelled out ‘rule by law’ terms rather than relying entirely upon universal goodwill. Mohists criticized the Confucian lack of egalitarian concerns for those who could not afford access to potentially elitist Confucian schools. The era of active philosophical and political debates with the participation of the so-called ‘Hundred Schools of Thought (770-222 B.C.E.)’29 was also the same era in which the Confucian governance ideology had to weather storms of criticism.

Strong references were made through discussions and literature to Confucian societal evolution in conjunction with the structural dilemma of Confucian governance. The new reality imposed upon the Confucian structure of intellect and ethos a compelling call for fresh knowledge and necessary social reforms. Both scholarship and the system of governance inched closer to the demands of secular needs by engaging with the market forces and the power of science mostly coming from the West.

Both the Neo-Confucian doyen Mou Tsung-san (1909-1995) and political leader Kim, Dae-Jung (b. 1925) held that the Confucian accommodation to modernity and the rejuvenation of the spirit of

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29 In the period of 770 to 221 B.C.E., various thoughts and ideas were developed and discussed freely. Hence this era was named the ‘Contention of a Hundred Schools of Thought.’
Confucian governance is both possible and necessary. Only when contemporary Confucianism is in step with the market economy whereby people participate as the basic creative forces of the society and the full benefit of the advances in science are enjoyed, such an accommodation would have been achieved. Conversely, the demand made earlier in the Yi Dynasty by those of the School of Practical Learning could be met only through the violent changes wrought by the external forces upon the unwilling Confucian hierarchy. Human dignity including human rights observance as the integral elements of governance could be re-ignited in earnest in the context of civil society, when the institutions of demo-centrism accompany the change to Confucian societal values.

Discussions and literature alluded to the point that the young democracy of Korea is still undergoing a maturation process. Korea underwent a dramatic political shift from the military government era (1961-1987) to becoming probably one of the most liberal democratic societies in Asia. What needs to happen is the intuitional change necessary to support the internalization of the qualitative change (Kihl 2004) within the system and with the perceptions of the constituents of this young democracy. Pains of change and growth are evident, as aptly termed the measles of democratization. Confucianism and its ambivalence were evident, as both were embraced by military and civilian governments. Both recognized Confucian roles either in mobilizing their own political legitimacy or to secure the means of the political status quo citing social stability. Confucian humanism faced the challenge of becoming the nurturer of democratic ideals and, if need be, an agent of change (Kihl 2004).

6.5.1(c) New Labour-to-Enterprise Relations
Under the so-called industry peace scheme of the government and business groups, the Korean labour movement used to be severely restricted during the military government era of 1961-1987 before civilian government was established and opened the floodgates for the labour movement. Business groups had to squarely face labour demand as those of equal partners. Labour carried old grievances, having toiled under what they termed the government-collusion for control or oppression of labour (Park 2002). Discussions and literature referred to the matter in relation to the Confucian ideal of demo-centrism, political swing, and international solidarity of the labour movement that confronted not only the economic interests of business groups, but also moral grounding of Confucian ethics-based business groups.
Discussion and literature pointed out, and pointed out earlier, that, while the strength of the moral and intellectual integrity of Confucian humanism remained unchanged, the Neo-Confucian orthodoxy of Chu Hsi was severely challenged in history and now by those more inclined to act upon the possible practical steps for the benefit of the broader community of commoners or labour in modern context. Confucian governance as the system of serving the people underwent reformation such as through the ‘Practical Learning’ school of thought in Korea and Japan. The Yang-ming school both in China, Japan and to a lesser degree in Korea became another major strand of Neo-Confucianism, as they appealed to the commoners with less interest in moral and philosophical discourse than in survival and subsistence (de Bary & Tu 1998).

Literature and discussions alike referred to the momentous events of grassroots revolts. Social stratification occurred under Confucian governance, and structural rigidity undermined Confucianism and its legitimacy.

The most eloquent expressions of such popular discontent with Confucian governance and hierarchy came in the form of the major popular uprisings such as the Taiping Rebellion (1851-1864) in China and the Tonghak (East Learning) Rebellion (1894-1897) in Korea. These revolts were the direct outcome of Confucian governance failure, in particular with regards to commoners or working peasantry. Confucian governance as social morality underwent a major shift from orthodoxy to decay and incompetence, facing the challenge of having to choose between major restructuring or meeting their demise. Equilibrium was broken and the society was getting eager for a new era. The rejuvenation of the classical strength of Confucian ideals was attempted, but did not materialize soon enough (Han 1998a).

Confucian orthodoxy as the state ideology had societal cohesion and civility as its minimal practical aim. Within the framework of Confucian humanism permeating all walks of life, the sovereigns were expected to refrain from the excessive use of power since their mandate came from heaven, namely the ultimate accountability to the service of people. Mencius was forthright in warning against incorrigible sovereigns as they become subject to removal after all peaceful means had been exhausted to correct their bad political behaviours in alienation of the people’s rights to sustenance (Lim 1999).
The discussion and literature called attention to 1980 and the city of Gwangju (Kwangju), Korea, and its momentous event. It was a historical episode of people’s struggle for the recognition of their rights. It was later termed the ‘Gwangju (Kwangju) Democratization Movement’ or the ‘Gwangju Uprising.’ It triggered a democratic shift in Korean politics (Han 1998a).

Both the military governments of 1961-1987 and the dissidents shared Confucian values, but differed in terms of how to advance the nation in their pursuit of national goals, namely prosperity and democracy. It was also pointed out that the people’s spirit in pursuit of demo-centric values was an inherent part of Confucian teachings, if not legally spelled out as plainly as in the modern constitutional framework. The labour movement also gained further impetus thanks to the democratization process that this civil movement brought to fruition with some success and at a very high human cost (Kim, SS 2000).

Literature and discussion touched upon the some aspects of international solidarity and compliance with international conventions governing labour matters. While business groups are not perfect converts in the eyes of labour leaders, international scrutiny plays a significant role in bringing labour justice to Korea.

Korea is among the signatories of the UN conventions of international human rights regimes such as the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), and also the conventions of the International Labour Organization (ILO).

When the governments send their reports as signatory nations to such bodies as the UN Human Rights Commission and the International Labour Organization (ILO), the civil societies, labour advocates or lawyers’ organizations also offer their views to the public, sometimes sending contrary reports. This aspect of checks and balances is of considerable importance in reconciling the national human and labour rights agenda, perceptions and priorities with those of international community. The Minbyŏn (Korean Lawyers for a Democratic Society) and the National Council of Churches in Korea (NCCK) play this role regularly (Park 2002).

6.5.2 Agency: Post-Crisis Reform
One of the principal groundings of corporate structure is the framework of agency that underpins the relationship between the shareholders, management and the board of directors. It has been pointed out through discussions, literature and documentary corroborations that this principle of agency has long been overlooked or breached knowingly and unknowingly. Due to the concentration of power in the hands of the chairs, business groups have long been negligent of their due diligence with respect to the issue of agency, much less upholding its rightful claims. Opacity of, or monopoly over, corporate information is one of the key issues. Another is ‘managed resource sharing’ among group affiliated companies without the prior consent of stakeholders (Kang, Kim & Bae 2001) for whom management is supposed to act as agent. As shown in Appendix 4.4.1 (diagram), management for all practical purposes acted as though there were the principals, second only to the chairs, thereby abdicating of their role as agent to the rest of stakeholders other than chairs.

Conflicts of interest would often cloud the ethical mandate clearly conferred upon them by principals. Some claim this letdown is ascribable to Confucian management ethics, whereas Confucian tradition, as indicated in the earlier part of this chapter, abounds in a number of cautionary advisories dating from antiquity (Lim 1999). Challenges of agency or even potential moral hazards were brewing in this arrangement of symbiotic partnership amongst government, business groups and the financial community, whereas in the time of crisis and publicly funded rescue, ultimate accountability was due to the public who were kept out of the loop.

Reform brought a number of long overdue corrections. Thanks to shareholders’ activism and the advocacy of other civil societies, institutional remedies have been introduced, whereby matters such as the compliance by rules mandating board of directors of any given company became much more stringent.

It was noted in discussions and in the literature that the election of board members as the important legal rights of shareholders became more closely watched by shareholder activists. Incumbent management was reminded of their legal duties. The practice of chairpersons appointing their preferred directors ahead of general shareholders’ meetings has been severely criticized by shareholder activists and minority shareholders. Those directors chosen from outside were usually individuals keeping close personal relationships with chairpersons. This practice also has been criticized and discouraged.
Management now has to get used to the role of agent to all principals with no preferences. Undoubtedly, the post-crisis reform measures spelled out by the pertinent government agency of the Financial Supervisory Service of Korea moved the issue of agency to the next level of compliance, such as through a freeze on cross-guarantees of loans, broader representation by external directors, and greater financial transparency through publishing the now compulsory ‘combined statements’ of business groups.30

6.5.3 Global Confucian Corporate Citizenship
The dialectical battle has intensified between the principles of Confucian humanism and the new realities of market forces that business groups faced internally and globally in the post-crisis era. Discussions, literature and documentation supports offered diverse yet fairly coherent views on the principle of serving humanity and the market economy in mutually non-exclusive, non-agonistic or hopefully more civilizing way.

Neo-Confucian ethics in this regard was re-visited. The issue of gender under-representation emerged as having been visible under Confucian hierarchical societies in history and modernity. Then attention was paid to the dire situation of the global ecological crisis as to how, with the heightened awareness, East Asian industry and government sectors view and accept their own conscious roles.

6.5.3 (a) Neo-Confucian dialectic ethical principle of ‘co-habitation’ or symbiotic coexistence
The central figure in the Neo-Confucian reformation Chu Hsi (1130–1200)31 expounded upon the harmonic Confucian ethical grounding as regards the dialectic dualism of principle (li) and material force (ch'i).32 Discussions and literature pointed to the ethical responses made by those in the industry. It was the Neo-Confucian dialectic ethical principle of co-habitation or symbiotic coexistence (kong-saeng or kyōsei in Japanese).33 The Federation of Korean Industries (FKI)

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31 Chu, Hsi (Zhu, Xi: 1130–1200). A Sung Dynasty (960-1279) Confucian scholar, who became one of the most significant Neo-Confucians in China, credited for consolidation of Neo-Confucian scholarship and governance ideals.
32 li’ (principle) and ch'i (qi: force, material force or ether).
33 Kong-saeng (symbiosis, co-existence or co-prosperity; kyōsei in Japanese).
adopted this principle as their official ethical pronouncement. The Japanese counter-part organization, the Confederation of Economics and Industry, or Keidanren, also adopted it as the official principle with emphasis on the industry to flourish within a sustainable nature. Japanese has earned wider shared views on kyōsei or co-habitation or symbiotic coexistence.

This core philosophical underpinning of global Confucian corporate citizenship became one of the key supporters of an international business ethics initiative, namely, the Caux Round Table (Curtin 1996), born of tripartite efforts by Europe, the US and Japan-led East Asia. In this initiative, East Asia offered the foundational principle of co-habitation or symbiotic coexistence (kong-saeng or kyōsei) and the Europeans and Americans contributed the principle of human dignity. These two principles combined are to serve in the interest of a sustainable ecology and environment on the same continuum as the human and industrial ends of global business endeavours.

6.5.3 (b) Confucian Humanism within Globalizing Civil Society: Gender and Ecology
As regards roles and status within business groups participating in the globalizing civil society, substantial interest was shown during discussions and in the literature in the ongoing ethical issues of gender representation and ecology. It led to the expression of diverse views. Despite economic prosperity and democratization, there remains a serious level of gender inequality. Women enjoy the same education and welfare opportunities. Nevertheless, women are grossly under-represented in many areas of social participation, despite their individual capacities. Discussions included comments about the Korean female prime minister and presidential candidate, but these examples remain rarities.

Confucianism is the first to be blamed for the patriarchal hierarchy and traditional attachment to primogeniture that relegated womanhood to secondary roles at home or in society. Confucianism cannot avoid such criticism, in view of the long history of Confucian orthodoxy as the state ideology of Korea and as a way of life in modernity (Yee 2003).

Discussions and literature also pointed to the numerous social disparities and outright injustices condoned under Confucian governance, and the literary works that portrayed the hardship of the under-represented members of societies such as women. Women found their private intellectual

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and aesthetic space in the pursuit of the arts and literature often under the influence of Taoist and Buddhist transcendentalism. It is noteworthy that behind the great Confucian scholars, there have been great mothers who helped form the character of the great person in their youth. The Korean Confucian doyen Yi Yulgok (1536-1584) had the prominent calligrapher and artist mother Sin Saimdang (1504-1551). Anecdotes abound about the great mothers of great persons. It remains to be seen whether the time may arrive when Confucian families talk of the great mothers for the great daughters.

As regards the compelling ethical challenge of the global ecological crisis and the roles of business groups, discussions and literature covered the business groups’ role not only as global economic actors, but also as responsible members of the global civil society. Through ecology, Confucians are newly re-awakened to the vital challenge to Confucian humanism in itself. The challenge is whether the Confucian belief system in itself remains valid, facing such a critical ethical crisis, in light of the Confucian belief in the human continuity of being (Tu 1998), whereby humans are in a nexus with both earth and Heaven.

Discussions and literature also pointed to the ethical crisis that has been emerging under the forces of the market economy, in which Confucian East-Asians play an active role as economic actors within the global economy. In contrast to the rich economic dividends from which East-Asia benefited, Confucian East-Asians including Korean business groups are becoming more aware of their negligence of the ecological aspect of economic ethics.

On the most fundamental level of the perception of why such a crisis was allowed to happen, discussions and literature alluded to the thought that the current global crises arose due to the dominance of a homo-centric social philosophy. In other words, homo-centric individualism rode on ‘technological thinking’ as a brainchild of the ‘Enlightenment’ stream of thought. Such thinking has humans at the centre of the universe and assumes that humanity is endowed with exclusive rights to dominion over nature. Discussions and literature also pointed out that Confucian humanism has to recover its social principle of the unity between humans and nature. Conversely, it has to return and live up to the inextricable nexus of relationships both between human and human, and between human and nature.
Discussions led to, and literature supported, the point that such an ethical lapse about the economy is most pronounced in the destruction of global ecology. In an insatiable pursuit of economic and industrial progress, the so-called developmental economies of East-Asia have been in a rush, and often turned a blind eye to the concerns about sustaining nature that Confucian teachings refer to as the source of their beings (Tucker & Berthrong 1998). Response from business community has been broadly positive such as from Federation of Korean Industries (FKI) who, as indicated before, adopted this principle of symbiotic coexistence with the Mother Nature as the officially pronounced ethical more.

Discussions and literature also led to the point that the philosophical anthropology of Confucianism is consistent with that of Taoism and Buddhism which considers nature to be the source of all living forms including humans, in contrast to the Judeo-Christian thesis that nature is endowed with resources for humanity to conquer and utilize. Neo-Confucian scholar Yi Yulgok (1536-1584) of the Yi Dynasty (1392-1910) in Korea held to the cosmology built around the united theory of material force. Yi built his cosmology around material force as the connective cosmological link between all beings, as he believed that such material force constitutes a foundation for all ecosystems, allowing for a place for both humanity and all other entities (Ro 1989). It owes its intellectual birth to the teachings of Chou Tun-yi (1017-1073) of the Northern Sung Dynasty (960-1127) in China.

Discussants and literature touched upon the contradictory thesis of the market economy. The economic dynamism of a market system brought to Confucian East-Asia unprecedented prosperity. On the other hand, the market principle of the competitive pursuit of profit in which the Confucian East Asia engaged in earnest undermined the very abode of all lives including humanity. In other words, Confucian East Asia followed upon the ‘enlightened worldview’ rooted in scientific rationality, materialism and social utilitarianism in the interests of progress. Discussions highlighted a need to be reminded of Lao Tzu’s teachings of ‘unity with nature’ as a viable solution. In so doing, Confucian East Asia can recover its freedom from artificiality and arbitrariness of the homocentric way of thinking that separates humankind from nature.

\[36\] \textit{ch'i} (\textit{ki} in Korean: material force, ether or force).
Discussants and literature explored the notion that economic interests should no longer impose on nature any process of unstoppable declines or creative destruction (Schumpeter 1991). The Confucian teachings on leading thrifty and simpler lives serve as a plain reminder as to how to live in a non-agonistic relationship with the nature. A discussant called this ethical economic approach to ecology ‘deep ecology.’ The term ‘deep ecology’ implied the re-anchoring the economic ethics of nature as the long term commitment without imposing any limit on the time requirement. Discussions also supported the view that Confucian economic ethics as an extension of Confucian humanism should see to it that a new global regime of environment and ecology should be deployed in conjunction with peace, human rights and equitable social and economic development.

Discussions and literature highlighted the most eloquent reminder of the central Confucian concept of an earth-human-cosmos continuum is the dictum by the Neo-Confucian doyens such as Chang Tsai (1020-1077) who said: Heaven is my father and Earth is my mother, and even such a small creature as I find an intimate place in their midst. The twentieth century Confucian scholar Mou Tsung-san (1909-1995) called out to the East-Asian minds the ‘life-world philosophy’ as the central idea of modern contemporary Confucian teachings. Modern Confucian challenges are firstly to subjectively overcome the contradiction between life and reason through a renewed Confucian philosophy of life, and secondly to objectively overcome a contradiction between life and reason through respect for the creativity of the nature that sustains all forms of life and the environment that embraces them.

6.6 SUMMARY

This chapter has been to analyse and interpret the narrative data of the preceding chapter in conjunction with the literatures as reviewed. Narrated data was also accompanied by documentary corroborations, when necessary and appropriate, on the corresponding themes and topics. Such analysis and interpretation broadly followed the principles of phenomenographic methodology (Bowden & Green 2005), as discussed at the start of the chapter.

Having started with analysis and interpretation of Confucianism as the foundational ethics of business groups, discussion moved onto whether Confucianism remains as the working ethics for current practices. Analysis and interpretation have been made on whether business groups maintained Confucian ethics explicitly and implicitly, going their evolution of from being large national concerns to global actors managing diverse human, cultural and economic challenges. Particular attention was accorded to the era of crisis and reform in order to determine whether the underlying Confucian humanism was of help or a part of the problem in the time of crisis and the radical changes forced upon them.

Confucian economic ethics and governance-related practices as an expression of Confucian humanism faced the challenges of global governance regime, in particular when faced with a crisis, and needed external help to overcome it. The Confucian ideal of humanism came under further scrutiny vis-à-vis other pertinent societal issues of gender equality and the critical global mega-challenge of the environment. These have implications for global Confucian corporate citizenship as discussed in the later part of the chapter.

A good part of the theoretical framework that this analysis and interpretation employs owes much to the literature review of the thesis. This chapter undertook to expound upon the interplay of the multiple levels of the cultural and philosophical layers of Confucian humanism with the evolution of business groups as economic manifestations of Confucian self-realisation of those who founded and/or manage business groups.

Discussion followed on how Confucianism and its humanism served as the guiding principles of Korean business groups on their path towards the globalizing civil society. The underlying challenges of this globalizing civil society that business groups and their home country Korea faced together were as fundamental as democratic polity, civil capitalism and the rule of law (Shils 1997).

The thesis of Confucian humanism as a viable central philosophical and socio-political and economic tenet for the business groups of Korea, with the understanding that Confucianism as a belief system also as a way of life underwent evolution and interactions with other major strands of beliefs such as Buddhism and Taoism, mutually enriching and surviving to date offering undiminished relevance in modern context (de Bary 2004).
In Chapter Seven, the research findings will be reviewed and summarized in order to answer the main research question that this study started with, and also to ascertain how closely these research findings relate to the three main research questions and its associated hypotheses with which the study started in Chapter One.
Chapter Seven
Synthesis and Conclusion

7.1 INTRODUCTION

With the findings and interpretation presented in the Chapter Six, this seventh and final chapter proceeds to a synthesis of the findings and interpretations.

The synthesis of the results will in turn be examined in relation to how they answer the main research question raised in Chapter One. The research question in turn was encapsulated within the two hypotheses, namely, (1) 'that the ethics of Korean business conglomerates are derived from Confucianism and their operating principles remain anchored in Confucian humanism,' and (2) 'that Confucian humanism remains central to a Korean business conglomerate's determination of their global strategies and corporate governance.'

This process will be covered under the headings of ‘7.1 Introduction’, ‘7.2 Synthesis of the Research Findings’ and, finally, ‘7.3 the Conclusion.’

This process synthesizes what has been analysed and interpreted out of the narrative data, documentary corroborations and literature reviews, while it follows the main themes of Confucianism and its humanism both as foundational management practices and governance of Korean business groups.

These themes also went beyond the foundation phase, and followed through the evolutionary stages both of business groups and their Confucian humanism as the underlying ethical grounding.

This study has identified the enduring relevance of the underlying Confucian metaphysics of humanism and its implications evident in the process of evolution. Confucian cosmology (Tu & Tucker 2004), secular religiosity (Taylor 2007) and worldviews continue to play an important role in determining how business groups perceive the newly emerging conditions and undertake their roles in response.
The complex interplay of the diverse factors and multi-levels of the cultural and philosophical layers emerged. The religious tolerance and egalitarian strand of Confucianism stood out. There has been consistent emphasis on lifelong self-cultivation and education as well as openness to aesthetics and creativity of nature.

Whereas the business groups of Korea are the product of a time when both government and businesses desperately needed to produce joint economic results, the study also demonstrated that Confucian business personhood was already emerging in the earlier dynastic period, in that such Confucian business personhood followed the ethical tradition of serving a greater community based on Confucian humanism and pursuing self-realisation by through engaging in one’s business and industry.

These and other themes and points which emerged as the outcome of the analysis and interpretations conducted thus far will be synthesized hereunder and crystallise into the research findings.

7.2 SYNTHESIS AND RESEARCH FINDINGS

Confucianism as a philosophical tradition emerged as an outcome of a long evolutionary process. This process has had its major epochal points. So did the history of business and industry within the tradition of Confucianism.

As a belief system and a way of life, Confucianism had its progenitor Confucius. His crucial foundational work came to build an enduring metaphysics and learning system around the core concept of humanity giving the impetus to the moulding of Confucian humanism. After a millennium of Confucianism as the state ideology, an era of major reformation arrived, namely, the reformation of Neo-Confucianism (Cheng 1991), which emerged as a new orthodoxy.

During the Confucian governance period leading up to modernity, the industry and business of the nation were centred on agriculture, craftsmanship and trades. Within the Confucian social hierarchy, farmers, craftsmen and merchants belonged to the mid-lower social class despite their critical economic contribution. There were, however, different groups of social thinkers who were
sympathetic regarding societal disparities and wanted to bring a more egalitarian status to those subject to unfair social standings. Among social reformers, there were orthodox Neo-Confucians as well as their vocal critics such as the legalists (Watson 1967) and the egalitarianism of the Mohists (Xiao 1998). The alternative traditions of Taoism and Buddhism were also more sympathetic to the socio-economic conditions of the less privileged.

During the period from the sixteenth through the nineteenth centuries, the Korean Confucians moved the philosophical and social discourse of Neo-Confucianism to a new wave called ‘Practical Learning’ to link the Confucian ideals to the practical needs of under-privileged commoners. The ‘Practical Learning’ era led to modernity, with its diverse ramifications in diverse denominations and interactions with the indigenous traditions. This wave of practical thinking reinforced the role of those in industry and trade for producing more tangible benefits to those most in need, whereas officialdom more often than not failed to meet the needs of people. It was in the era of Practical Learning and the Yang-ming School of Mind and Heart when the business groups emerged in East Asia, starting with Japan (Roberts 1973).

The following thematic summary provides the research findings on what Confucianism as the foundational ethics of business groups meant in terms of its metaphysics, cosmology, religiosity, humanism, education, management ethics, governance, social psychology, aesthetics and worldview including the outlook on the globalizing life-world. Each aspect is of consequence on its own, and is closely related to every other.

7.2.1 Research Findings on Confucianism as the Foundational Ethics of Business Groups
All the participants in the focus group discussions and the literature agreed on the significant level of Confucian influence they could easily recognize in all aspects in the life-world (Moran 2000) of business groups. It has been and remains for them the way of life and a trusted and admirable path to become human through their process of self-realisation either as an individual or as one of those managing business groups as a means of realizing Confucian ideals within socio-economic domains.

Confucian learning and spirituality are adhered to as a way to realize creative transformation of the character through the life-long process of self-cultivation (Tu, 1985b). Confucians had attained their height of intellectual, moral and aesthetic ideals through the system of learning,
philosophizing and practicing in the tradition of humanity that Confucius and his disciples successfully formulated in the Classical age. Those in the leadership of business domain also maintain intellectual tension to achieve such ideals.

The Confucian concerns are not only demo-centric, but also its teachings call for unity within the human-to-nature nexus (Tucker & Berthrong 1998). The harmony sought after within the society of Confucians desires togetherness in human development and also seeks to share human flourishing amongst all in the community without excluding anyone due to social standing or birth right. This aspect of collective intentionality (Bratman 1999) has served Confucian governance in public and private pursuits including undertakings in business enterprises, and remained the important attribute of Confucian humanism irrespective of occupational specificity.

Korean Confucian self (na) and self-identity (cha’gi) have been noted in narration and literature as preserved in the referential self identity. Such self-identity reference uses the facility of Confucian ritualized behaviour (ŭiroesŏng) (Choi & Kim 2003). The patterns of Confucian social practices, or the Confucian collective or communitarian social behaviours support the collectivism versus individualism (Hofstede 1997) thesis in the cross-cultural social context (Trompenaars & Hampden-Turner 2000).

The dialectics of Confucian religiosity and secularity have influenced those engaged in the economic domain both the Practical Learning School era of Korea and mutually influenced the same studies in the neighbouring country of Japan. The Confucian ethic is both religious and secular or resting in the boundary between the religious and secular (Onatowski 1998). It is religious in the sense in that Confucians through self-cultivation internalized Confucian teachings. It is secular in another sense that Confucians translate those internalized Confucian teachings into practice in the exercise of economic ethics through business by means of wealth creation for the larger community or rendering social services for those less fortunate. Such practical learning and translation into practice of the socio-economic ethics in this context was a matter of great concern for those who led the growing business concerns of the era as they found such engagement consistent with Confucian teachings, particularly of Confucius and Mencius. Confucian court scholars such as T’oegye emphasised the same principle by remonstrating with sovereigns and
commoners alike that the basic Confucian teachings of ‘humanity, righteousness, rite and wisdom’\(^1\) need to apply in the court of the sovereign as much as in the market.

Korean business leaders are very familiar with the foundation and history of leading Japanese conglomerates as business partners, benchmarks and competitors. Korean business leaders have been encouraged to observe and reflect upon the significant societal roles the Japanese Confucian business persons could achieve. Korean business leaders were to emulate such Japanese commercial success as well as the concomitant societal ethical role in the Confucian context of realizing wellbeing for a wider community with longer term implications by establishing and financing advanced learning institutions to make education available to commoners. Business leaders of Korea likewise founded a number of occupational and higher learning institutions, such as the family of Kim, Song-Soo (1891-1955) (Eckert 1991) who founded in 1932 what became Korea University of today.

For Confucians, learning meant much more than education. It meant a semi-religious act of self-cultivation to realize the status of the superior person. It equated to realizing the ideals of *Heaven* within the micro-cosmos of the Confucian self within the community of other likeminded Confucian seekers of selves. Confucian scholarship was not an option. It was the way. It was also the path to public office for which all aspirants for the high offices of public service must pass annual exams in Confucian canons and writing calligraphically in poetry (Hall & Ames 1987). This wholesome system of character building was the system of Confucian learning asked of sovereigns down to any level person, including leaders of business groups, desire to ‘become human’ in the true context of Confucian propriety. The system of learning, perception of moral links in every relationship, the human-to-Heaven nexus in cosmology and the social conduct through Confucian *rites* that survived not just for centuries, but for two millennia, have left a number of enduring attributes of Confucian way of life in terms of the interrelationships between individuals, person-to-person, community and society as a whole (Cheng 1991). This social conduct of *rites* remains an important part of social ethics within the business group hierarchy.

One of the most important aspects is to look upon the family as the most important social institution where in the strength of character starts and ends as the final test of its validity. The

\(^{1}\) *jen, li and chih* (humanity, righteousness, rite and wisdom): the four cardinal teachings of Classical Confucianism.
Confucian family is hierarchical, but a reciprocity of humanity that goes bidirectionally leaves everyone under the obligation to do their utmost as a member of the micro-cosmic family of natural birth, and also as the member of the macro-cosmic family of *Heaven* that is equated to the social domain to which ultimately the Confucian superior person is accountable to. The father figure in the personhood of business group chairs is expected to aspire to this ideal throughout one’s life (Rhode 2006).

7.2.1 (a) Confucian Metaphysics of Humanity: Collective Intentionality

The Confucian self is founded on the anthropological phenomenology of self-to-other selves (Jung 1993) that perceives the self in relation to the family. The Confucian family has a wide spectrum, starting with the birth-related family, community and to the largest family meaning the society or the Mother Nature with *Heaven* as its head. The relation determined by being in or of a family implies a relationship of trust, not of competitive struggles for the survival of the fittest.

This metaphysical departure point is what has made Confucianism and Confucian humanism enduring as the belief system. Confucian humanity based on such a relation of self-to other-selves provided a self at peace with other selves in society, living the promise of self-cultivation to the level of the superior personhood in the elevation of selves of the families large or small for mutual human flourishing. In this regard, the theme of collective intentionality as an underlying attribute of Confucian humanism emerges.

7.2.1 (b) Confucian Religiosity: Secularity and Ecumenism

Confucianism is the most secular among the three religions and remained the orthodox state ideology for nearly two millennia in Korea. Its governance in the secular engagement of public service employed the institutions of ‘rites’ that included the symbols, signs and lingual ideographs that came from the observation of nature and humanity. The Confucian contribution to the governance of Korea during the last two millennia of the dynastic period is indisputably central to the governing institutions of Korea.

In terms of modern religiosity, Koreans maintained their Confucian souls and decorum whether as individuals or as corporate leaders despite the rise of the missionising religions such as Christianity (Koh 1996). Confucianism as a living tradition is not monolithic by any means. Confucius built the foundation of Confucianism through his teaching about humanity in his
Analects as the cornerstone of Confucian humanism. These Classical Confucian teachings would sit well as a moral grounding for the patriarchal structure of business groups. Mencius on the other hand wrote extensively, and taught and engaged in debate tirelessly about egalitarian social conduct, in particular to guard against the abuse of power of sovereigns. It is no surprise that contemporary labour leadership would make ready reference to Mencius’ teachings in response to the top to down decorum and governance of chairperson-centred business group patriarchy.

Confucianism remains one of the major religions of the world. Unlike some of the other major religions, Confucianism does not provide a direct personal self-to-God relationship for salvation. Its religious path lies in leading lives on the secular path through the semi-religious practices of self-cultivation to become human. Confucian humanness is based on the awareness of immanent transcendence within the micro-cosmos that has a moral nexus to the highest being in the universe. Confucian religiosity is about the seeking of the way in order to find and live the order and peace of the universe within the Confucian self and with the selves.

It is tolerant of other religions sharing the same or similar values with different paths to achieve them. It also learns and changes from learning from the superior thoughts and practices. It is noteworthy that Confucianism has survived and enriched two millennia through cross-breeding with the other major traditions of Taoism and Buddhism. In modern Korea, the Confucian belief system and its ecumenical attributes are being tested again, yet to prove whether it can weather and enrich itself from the ascendency of more actively proselytizing religion of Christianity amongst the social elites.

7.2.1 (c) Cosmology: ‘Human-to-Heaven’ Nexus
Confucian cosmology is an integral part of the philosophy, since the Confucian epistemology of cosmos starts with the perceived micro-cosmos existing within the self and selves. The nexus between the micro-cosmos and the cosmos determines the Confucian ontology that the cosmos is indeed an abode of all lives, including human selves, with no exclusion of others or other things. The meaningful cosmological nexus has been perceived as existing and undergoing the constant changes within the ongoing dynamics of the principle (li) and the material forces (ch’i). Such a cosmology has a direct bearing upon the religiosity of Confucianism and its attributes of tolerance, enabling the crossing of the boundaries between secularism and religious sacredness.
Others contributed more to cosmology, such as Chou Tun-i (1017-1073).² Confucianism as a religion is tolerant and willing to benefit from the other great traditions, such as from Taoism for the ‘unity with nature and appreciation of its beauty as is’ and from Buddhism for the depth of spiritual enlightenment. It was and still is quite common in Confucian East-Asia that a person is Taoist and Buddhist and, quite comfortably and concurrently, remains a Confucian (Chung, D 2001). This co-existence of the three great philosophical traditions competitively yet complementarily signifies a lasting peace among the religions that seems more and more a rarity in the rest of the world. This aspect contributed in no small measure to nurturing an enduring reverence for nature and its inherent aesthetics as the underlying attributes of contemporary business leadership.

7.2.2 Research Findings on Confucian Humanism
Confucian humanity became the foundation of Confucian humanism, and came to be further reinforced by the teachings of the Confucian four cardinal virtues that include not only humanity, but also righteousness or justice, rites and wisdom (Chan 1989).³ Neo-Confucian doyens such as Chu Hsi emphasized the role of human emotions, namely the seven emotions, i.e., sympathy or love, joy, anger, fear or sorrow, dislike and desire (Chan 1989). The four cardinal virtues were also called the ‘four beginnings.’ Such human and humane four beginnings are to be mobilized in order to promote human potential and also to overcome limitations manifested in the seven emotions. Confucius’ teachings of humanity received egalitarian support later by Mencius who consolidated for the commoners the concerns of Confucian humanism and focussed its attention upon them.

On the theme of Confucian humanism, the following summary is given on the research findings of diverse Confucian perceptions and attributes of how Confucians perceive their humanism.

7.2.2 (a) Confucian Self-cultivation and Lifelong Education: the ‘Superior Personhood’
The Confucian perception of education was that it constitutes a vital path to realizing the creative transformation of the self rather than acquiring knowledge for jobs and being more informative about managing individual lives. It was more of a path for the seekers of the way and is a life-long enterprise for all. It certainly served the practical purpose of gaining access to political, economic

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² Chou, Tun-i (1017-1073): One of the most noteworthy scholarly legends of early Chinese Neo-Confucianism and cosmologist. While he was influenced by Buddhism and Taoism, he followed the most ancient tradition of Chinese metaphysics as consigned in the Book of Changes (I Ching).
³ jen, l, li, chih (humanity, justice, rites and wisdom).
and public service career opportunities, including the career of creating and leading business groups.

The centrality of education in the Confucian way of leading desirable lives is clearly spelled out in the *Analects* as the greatest pleasure of a meaningful life. Despite the Confucian emphasis on education, Korean Confucian education was centred on the fostering of the scholar-officials. In China, since the Yüan dynasty (1279-1368) adoption of the Neo-Confucian orthodoxy of Chu Hsi as the state ideology, Confucian education focussed on producing the nation’s next generation of state elites. Confucian educators belonging to the Practical Learning schools (*sirhak*) undertook the affordable education of the commoners. Confucian education was not just about learning about Confucian philosophy or the Asian intellectual tradition. The Confucian habit of heart with self-cultivation and life-long learning let Confucian East-Asians including Koreans gain more self-knowledge and knowledge about others including those of the West. Confucian East-Asians have become most ardent learners of the Western science and democratic institutions for the last century and a half, investing their human and financial resources with a high personal and family priority. Education also became the most important foundation of Confucian humanism, as it created a common platform of knowledge, human understanding and mutual development (Helgesen 2003).

7.2.2 (b) Confucian ‘Mind and Heart’ Learning and Social Psychology

Neo-Confucian scholarship has produced a school of mind and heart learning as a dynamic process of understanding the self and the beyond. The Neo-Confucian Wang Yang-ming School of ‘mind and heart’ learning emphasized the role of ‘intuition’ together with reason as the integral human capacity to understand truth. Moreover the Confucian self and super-self in the community of selves form and maintain the self-portraits of the minds and hearts in their archetypes of anima (Jung 1971).4

These self portraits of minds become the basis of Confucian social psychology. Korean examples were the Korean Confucian self (*na*) and self-identity (*cha’ki*) which are preserved in the referential and ritualized self identity. Wang Yangming (1472-1529) went further and suggested that the mind

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4 Jung, CG 1971, ‘the self as the spirit that connects and is part of the universe; It is the coherent whole that unifies both consciousness and unconsciousness.’
and the principle (li) are the same and to understand the universe, one needs to seek within one’s own mind first.

Such multi-layers of Confucian mind and heart form a structure of intellect and ethos, and proceed to engendering the set of knowledge and reality as a new construction, and continue to impact upon Confucian scholarship, governance and socio-economic engagement, including germination and growth of business concerns.

7.2.2 (c) Confucian Governance
The ideals of Confucian governance or the ordering of the world\(^5\) have been encapsulated in one of the four Neo-Confucian canons, i.e., the Great Learning. It is the cornerstone of what Confucian humanism could bring to Confucian society. Confucianism as an orthodox state ideology had its basis tenets of governance in the so-called ‘sage within, king without.’ The Great Learning prescribes the means of governance under the so-called three headings and eight particulars\(^6\) that have remained the mainstay of Confucian governance.

Confucian governance was based on the institutions of moral virtues, on the assumption of grooming and instilling of the sovereign as a Confucian sage. It also meant concentration of knowledge and power within the privileged group of scholar-officials who performed governance on behalf of sovereigns. Mencius and other Confucian sages continuously warned against the abuse of power by the privileged class. Mencian ideals were about compassionate governance, prescribing for Confucian sympathy, ethos and concern for the underprivileged commoners, in securing subsistence and providing chances for self-cultivation and leading meaningful lives despite their social standing.

In the pre-Confucius era, a prominent scholar-official named Kuan Tzu (d. 645 B.C.E.)\(^7\) edited a crowning work of classical governance canon called the Kuan Tzu following his own name. He became the prime minister of the state of Ch’i (circa 770-221 B.C.E.). The long pursuit of ethical and effective systems of governance was an objective of many scholars and wise persons both pre- and post-Confucian time. Reformers of the Neo-Confucian era called for an institutional

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\(^5\) Kyŏngse in Korean and ching-shih in Chinese: both literally mean ‘ordering of the world’ or governance in modern context.

\(^6\) samgang; Korean, san-kang; Chinese (the Three Heads), paljomok; Korean, batiaomu; Chinese (the Eight Particulars).

\(^7\) Kuan Tzu (Guanzi, or Kuan Chung: d. 645 B.C.E.): He was the prime minister of the state of Ch’i and he is regarded as one of the three patriarchs of Tao with Lao tzu.
overhaul, such as the introduction of constitutionalism advocated by Huang Tsung-hsi. Japan had her first constitution as early as the era of Prince Shōtoku (Shōtoku Taishi: 574-622). The Meiji Constitution after the Meiji Reformation (1864-1896) also influenced the writing of the first constitution of Korea in 1948 since the chief editor Dr. Yu, Jin-O (1906-1987) was an expert on the Meiji Constitution and continental constitution studies particularly of Germany. These legal foundations and institutions included those commercial laws that would have legal bearings upon how the business groups would conduct their trades.

It has been noted that in the history of Confucian governance during the dynastic period, there was a precedent for the system of checks and balances within the court of the Yi Dynasty (1392-1910) of Korea. The Confucian censorate system comprising three censorates was deployed to provide enhanced accountability. This system provided a necessary delivery of justice by weighing the issues under contest among the three branches of courtly counsels and advisors with expertise in different subjects. The three censorates are: the Office of Inspector General (sahǒnbu), the Office of Censorate General (saganwŏn) and the Office of Special Counsellor (hongmungwan) (Mo 2003). This system of triangulated evaluation of any given verdict on complex conflicts of interest resembles a modern system of jurisprudence.

It was, however, only with the influence of the West, beginning in nineteenth century, that the fully institutionalized constitutions came into being, starting with Japan, then in other Confucian East Asia including Korea. Institutionalisation of justice or constitutionalism is what Confucian reformers had clamoured for centuries.

Rule of law is what modernity brought to Confucian East-Asia. For in the preceding era, Confucian governance was that of the ‘rule by law’ based on the Confucian virtues and social harmony. In terms of the maturity of democratic institutions, Confucian governance of Korea is very much in the process of formation and maturing as the young democracy (Roh 2003), despite its fast paced progress.

7.2.2 (d) Confucian Humanism in Practice: Gender and Labour Relations
Since Korea underwent fundamental change with her polity from military autocracy to liberal democracy in the 1990s, the ethical attributes of Confucian humanism as an intellectual mooring of business group morality has faced challenges as to how such humanism manifests in practice
such as human rights observance including fair gender representation in society and business. Another major challenge to the practice of humanism came from labour relations. As indicated earlier in the analysis, labour has long been underrepresented due to de facto government-business consensus on an industrial peace, meaning control over the labour union movement.

While the main theme of this study is not on human rights, gender and labour aspects are both expressions of Confucian humanism on the same continuum with Confucian demo-centrism or human dignity in modern context, hence this discussion on how egalitarian strand of Confucian moral thought most notably from the era of Mencius (circa 372-289 B.C.E.) and Mo Tzu (circa 470-390 B.C.E.). Confucian ethics-based management of business groups in Korea has not scored high marks to date for its fairness both with gender issues and labour relations. Within the vibrant democracy of Korea, business groups now face a groundswell change happening with the perception of what this new imagined Confucian community (Anderson 1991) represents, and what consequences it may bring, such as with renewed emphasis on fairness vis-à-vis labour and gender representation.

In terms of Confucian egalitarianism, the teachings of Mencius represent an enduring reference for the Confucian advocacy of human dignity, in particular for the rights to subsistence as an equivalent to the modern covenants for economic and social rights, not full civic and political covenants. Confucian governance has long been vulnerable as an institution to the abusive of power by sovereigns who used the Confucian system of governance as a vehicle for hierarchical autocracy. This concentration of knowledge and power constituted a system of Confucian governmentality (Foucault 1990) that was at odds with the protection of the commoners’ rights.

The Confucian philosophy of governance in the ching-shih (ordering of the world) has prescribed a balance of human duties and rights. There has been an aversion to the litigious practices for the protection of human rights by individuals, since it is considered socially counter-productive for the preservation of social stability and cohesion (Onuma 1999). Human rights as a vocabulary is an import. The creation of legal institutions for the protection of human rights in Korea occurred at the time when the modern Korean constitution was introduced.
Korean success so far with democratization, wherefrom they secured the liberal system of human rights, is an outcome of a long struggle by the people for their rights such as through the Gwangju Incident. The first constitution of Korea in 1948 had a framework of liberal democracy, but the government of Syngman Rhee (1875-1965) manipulated the constitution to suit their autocracy. Confucian humanism would not object to the people’s rights as long as social harmony is preserved. But this conditionality was sufficient grounds for political manipulation of people’s rights. Only with the downfall of the military governments in 1987 did Korea see the functioning system of human rights observance.

While Confucian demo-centric philosophy is at the centre of Confucian humanism and governance, a number of Neo-Confucian reformers of the Practical Learning school in Korea underscored the need for institutional strengthening and reform of Confucian governance, in particular with the focus on the commoners’ rights to economic, social and political rights. It is only in the twentieth century under the influence of the Western-originated modernization that Korea began to embark on the system of human rights observance. It became apparent in this research that democratic institutionalization is a process under way, for the functioning democratic institutions are far from being firmly established in this youthful democracy (Fukuyama 2000).

On the discourse of Confucian heritage and its humanism, Korea and Singapore projected remarkably different outlooks on how individual freedom and other democratic rights are to be honoured. On the notion of the Confucian Asian democracy, Senior Minister Lee Kwan Yew of Singapore took the view that certain human rights could be curtailed in the interest of national development. Contemporary Korean political leaders such as Kim, Dae Jung (b. 1925) offered a diagonally opposed view to the effect that Confucian tradition reserved its strength by having an egalitarian view such as of Mencius. Kim’s view was supported by the Neo-Confucian doyen Mou Tsung-san (1909-1995) on the compatibility of Confucian humanism, human rights and the market economy for more wholesome national development.

7.2.2 (e) Confucian Creativity and Aesthetics: I Ching
Confucian learning places great importance on the personal capacity for literary composition, in particular that of poetry, calligraphy and classical painting as the essential ingredients of study as the foundational qualities essential to becoming the superior Confucian person (chün tzu). Poetic writing is a form of test given in the state exams for the high public offices. It is a common practice
by the leaders of business groups to express their deep seated thoughts through calligraphy and
poetry in the tradition of Confucian ‘superior personhood.’

Confucian aesthetics owe a lot to Taoism for its freedom of thought and closeness to nature as is
and its untouched beauty (Cua 2003, p. 206). Through aesthetic pursuits, Confucian minds found
the peace and unity with nature that represented the perfection of beauty. Aesthetic imagination
also gave the commoners the space of freedom under the rigid hierarchal society that Confucian
governance often created despite their wishes. Aesthetics did not replace the centrality of
Confucian teachings, since it enriches Confucian learning. Korean business groups are known to
have benefitted from sharing such aesthetic sensitivity with their consumer community of
contiguous Confucian cultures through product designs and culturally fine-tuned marketing
(Andrews 2007).

Aesthetics was complementary to and consistent with Confucian moral teachings. Aesthetic
sensitivity and refined description of one’s emotions are considered conducive to character
building (Hall & Ames 1987) of the Confucian superior personhood. Poetry and brush paints would
express the innermost perception of beauty and perfected moral character in harmony with nature

The Confucian affective emotions expressed in art and poetry underline an enduring attribute of
personal and collective social psychology. The importance of aesthetics as the signification of the
collective social and national symbols is significant. The Confucian ideal of perfect humanism is
comparable to truthfulness, goodness and beauty (*chin*, *sŏn*, *mi*), as much as the importance of
the canonical pillars of the Confucian four cardinal virtues of humanity, righteousness, rite or
decorum and wisdom (*jen*, *i*, *li* and *chih*) (Cua 2003, p. 329).

7.2.3 Research Findings on the Phased Evolution of Business Groups and Confucian Ethics
The government of Korea took an architectonic (Cho 1994) approach to economic development,
as did their counterpart Japan. This approach was based on a fully designed scheme whereby
each sector of key participants was by design to play a specific role within the total concept of
architectonic intentionality. Industrial structuring and restructuring at later stage both of
government and private sectors call for an underlying shared intellectual principle. Confucian
collective ethics and the stability of its social capital provided such a fund of intellectual principles that policy makers required.

Within the architecture of the national economic building scheme, business groups emerged as the players with the integral roles of commercialising national economic goals. As much as the government played the role of father figure within the Confucian hierarchy of the extended family of the nation, business groups assumed the same Confucian ethics and hierarchy in building fundamentally family-based organisations despite substantial enlargement in size (Lee & Yamazawa 1990). To some extent, the government of Korea, together with the rest of Confucian East-Asia, was comfortable following the example of the contiguous Confucian nation of Japan, in the hope that comparable success would be within the reach with workforces of a common Confucian educational background. The impact of the ‘flying geese paradigm’ (Burkett & Hart-Landsbert 2000) is apparent in Korea, concurrently applying Confucian business and ethical modality.

Government and business have scored successes with the use of this Confucian modality in their pursuit of the common goal of industrialization through the building of export manufacturing and marketing capability, as a part of the architectonic design of external economic policy, namely, the foreign economic policy (FEP) (Cho 1994) agenda. Indeed, this design proved effective with the national climb on the development ladder. Spurred by such success, there was no serious interest in self-reflection on the part of either government or business groups as to whether this design left out any important partnership or ethical obligations. Within the national partnership, namely, of public and private, the Confucian based organizational architecture crystallised into a form of patriarchy. Internally within business groups, founding chairpersons resembled the father figures of the family where in each member of the family is to perform within the context of Confucian family ethics for the greater purpose of the extended self. As long as this hierarchy worked with the intense dedication of all the constituents, it made great achievements possible. When it became ossified, this organizational architecture failed to respond effectively in the time of crisis with the flexibility and resilience required.

7.2.3 (a) The Birth and National Expansion of Business Groups: Confucian Family Ethics
During and after the inception of business groups as de facto partners in national development, business groups maintained the ethos of family ethics despite the expansion of their business
mostly within the national boundary (Lim 1998). Within the business groups, chairpersons, mostly male, remained the father figure of typical patriarchy. Externally, business groups came under the larger patriarch, namely, the government. As long as the main resource allocations were handed down from the government, and further down to group subsidiary companies, this top down organization and leadership had few challenges from within or without. Under-represented gender or perfunctorily unionised labour had little voice in the overall management of the groups. Dissidence was considered a lack of patriotism or loyalty towards their own firms (Kirk 1994).

In terms of religious representation, there was a great surge in Christianity in the country following the Korean War (1950-1953). As indicated in the analysis and interpretation, declared adherents of Christian or Catholic worship remained Confucian in their human relationship and way of life within business and the family. This ecumenism of Korean religiosities has proved an important aspect of Korean ethics, including work ethics.

Some Korean Christians of Protestant denominations argued that Korean economic success was driven by the same Puritanical economic ethics (Weber, Parsons & Tawney 2003) as described by Max Weber (1864-1920) on the rise and spiritual grounding of capitalism in the US. Notwithstanding this argument, this study has examined the importance of the religious tolerance of Korean Confucianism, as exemplified by the slogan ‘Confucian within and Christian or else without.’

In spite of the overarching Confucian hierarchy within the ethos of government bureaucracy and business group organizations, it is noteworthy that there was a persistent understanding that the Confucian heritage is based on a high moral calling. The study covered at some length the origin of the first national Confucian academy or sŏnggyun’gwan with its meaning based on the egalitarian ideal of realization of equality. This institution has survived to this day with significant symbolism of what it represents as the metaphysical bedrock of Confucian ethics and humanism.

Business groups have responded in kind to this high calling by supporting such ideals through financial sponsorship and ongoing academia-business relationships. Business groups have

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8 As indicated earlier in the thesis, this state Confucian academy, established by the Koryŏ Dynasty (935-1392), became the central academy of advanced studies for those select scholar-officials chosen to serve throughout the period of the Yi Dynasty (1392-1910), and remains an active higher learning institution to date.
established their own internal academia-cum-research institutes (Kim & Wu 2003), and character-building training centres in the tradition of the Confucian academy so as to offer lifelong education to senior executives of business groups to serve the interests of chairs and the greater community in order to realize the equality of benefits to all.

This study has encountered the ‘sweep of broad brush’ approach commonly adopted by Korean business group management. Such precedents abounded with their counterparts in Japanese business groups. Group interest and repute were given primary importance ahead of the rules and regulations that each individual firm under their umbrella needed to follow in terms of legal frameworks governing the commerce of the nation (Kim, YK 2000). Strategic objectives and group level interests overruled individual company needs and objectives which can come into conflict with those of the groups they belong to. Until the crisis of 1997-2000 befell Korea, government regulators had not been stringent in enforcing what the Fair Trade Act prescribed for corporate compliance, particularly the thirty largest business groups listed by the government. This aspect of internalizing accountability and, to an extent, politicizing such accountability against public interest, stood out in this study as one of the key ingredients of Confucian governance that had to be remedied (Kim, YK 2000).

The study also recognized the irony behind the obvious cases of negligent accountability on the part of business group leaders who made bold strategic decisions to launch into major new industry sectors in defiance of shareholders and global expert advice. These industries include automotive, steel, semi-conductor, ship-building, information technology, telecommunication technology and the defence industry, all of which became the very backbone of the Korean economy of today (Lee 2003). The enterprising spirit including a bold defiance of refusing to accept the status quo in the personhood of Confucian leaders of business groups, stood out in this study. Whereas there is a level of enterprizing spirit behind any remarkable success story in business or public service, this aspect of Korean irony of ‘enterprising Confucian scholar-business leader’ differentiates from Japanese peers in that Korean leaders as the family head of business groups are more inclined to make unconventional decisions involving high risks in contrast to the consensus-oriented contemporary Japanese conglomerates (Kim & Wu 2000).

In this study, another highlight was the national consensus reached amongst the public, government and business groups in support of the economic development plan as a historic
national opportunity beyond the economy alone. Such community development as the New Village/Community Movement, also known as Saemaul Movement,\(^9\) permeated a corporate ethos very much attuned to the classical Confucian family ethics in the broader sense, namely, considering the society at large as an extended family.

The collective intentionality (Bratman 1999) of consensual economic drive as a community effort overshadowed the other business essentials and legal integrity. The study uncovered an enduring attribute of managerial oversights on specificity of productivity on individual company level and the associated accountability of each firm. Management by law is accountable to the stakeholders for the result of company management through regular and transparent reporting. They remain accountable to such stakeholders as minority shareholders with full legal entitlements. Minority stakeholders in a way condoned such a letdown on the part of business group management in a broader recognition that business groups have achieved other beneficial strategic and economic gains, such as economies of scale, security of firms through cross-subsidization, savings in transaction cost, research, purchase, finance and marketing. This ethical compromise between the group interest and individual accountability was overridden in the period of inception and national expansion of business groups in a broad family ethics of Confucian patriarchal humanism thesis, but re-emerged as a central ethical issue in the time of crisis and reform, compounded by the high level of debt financing for rapid expansion.

7.2.3 (b) Global Expansion and Neo-Confucian Egalitarian Ethics
This study uncovered an underlying relationship between the evolution of Confucian ethics and that of business groups morphing into evolving and renewing entities as they undergo the globalising process and physical global expansion. One of the emergent themes within the Confucian ethical heritage was what used to be overlooked; Confucian egalitarianism. Global expansion also involved a qualitative dimension of divergence and cross-vergence (Yeung 2007), namely, cross-breeding of divergent qualities into the new dynamic entities, with an unavoidable impact on Confucian ethics. The imprints of Neo-Confucian collectivism were evident through this process of global expansion, but the Confucian ethics had to accommodate and work with divergent cultures and partners other than familiar classical Confucian ways. This aspect of Neo-Confucian egalitarian adjustment underlined the way Confucian ethics-based business group

leaders managed the globalization of their groups within their imagination of how a new social and
global community would emerge (Steger 2008).

The study covered the important roles played by the flagship companies of both Korean and
Japanese groups, namely, the general trading company or corporation (chônghap sangsa in
Korean) or shōsha in Japanese. These flagship companies are staffed by culturally resourceful
executives who can deliver a mix of business skills and cultural sensitivities and perform diverse
functions. While Korean general trade firms look after their in-house firms, Japanese ones serve
both in-house and external firms with overseas trade or investment needs. These executives,
while remaining ethically anchored in their Confucian heritage, displayed a global mix of talents as
required in their new field of enterprise involving diverse cultures and priorities. While they are
active globally, they still belong to the Confucian hierarchy of business groups carrying the
‘cultural bags’ wherever they go.

This study has noted the ongoing importance the Confucian leadership of business group
attached to the centrality of lifelong education even in the process of globalizing their business.
When business groups created and managed the global chains and networks of commodities,
production sources and values, the Confucian strategy of long-term investment in human capital
was always a high priority. This aspect has helped to create affective social capital thereby also
enhancing the competitive edge in knowledge-based industries.

It has been noted as significant in this study that the global expansion of business groups and
democratization of the Korean polity took place almost concurrently, adding extra tension to the
need for the adaptation of Confucian ethics and practices on the part of globalizing business
groups and the politically liberalizing state of Korea. The Confucian concentration of
power-knowledge (Ransom 1997) in the hands of chairs wittingly and unwittingly resulted in the
exclusion of outside stakeholders both nationally and internationally. This aspect created tension
and suspicion in no small measure attributable to the forthcoming crisis produced from outside.
Confucian meritocracy internally helped strengthen comparative position in the global theatre
contesting for a superior position in knowledge-based industries. On the other hand, the
institutional maturation befitting the global regime of governance did not occur soon enough.
On the matters of Confucian institutional fairness or lack thereof, the study pointed to the egalitarianism implied in the Confucian canonical Classic of the Great Learning\(^{10}\) which provided the way of learning the correct way to be the monarch,\(^{11}\) or the way of business group chairs in contemporary corporate context. In a Confucian society such as the Yi Dynasty of Korea, where distinct social classes of yangban (scholarly ruling elite) and sangmin (commoners) existed separated by an insurmountable social barrier ascription would often gain the upper hands over achievement (Trompenaars & Hampden-Turner 2000).

Structural distortion inherent within the conventions of Confucian governance has remained a fundamental challenge for the universality of human dignity and the exercise of a fair economic ethics. With global expansion, such aspect has foretold of intensified confrontation with the labour movement within the country and without, since civil societies and labour unions were no longer pliable before the hierarchal demands of business groups. Equal partnership was demanded with business groups and, with lukewarm responses from management, labour movements stepped up their pressure with increasing militancy (Park 2002). Confucian vertical hierarchy has to give way to or accommodate the demands for a level playing field vis-à-vis labour relations and other societal demands such as gender equality in the appointment of corporate executives (Kim & Wu 2003). The era of global expansion also brought qualitative change to the management of business groups in Korea.

7.2.3 (c) Crisis, Reform and the Challenges of Confucian Globalism

The epochal event of the crisis of 1997-2000 has been recognized in this study as the most momentous turning point for the business groups as well as for the government of Korea. Externally, the nature of crisis was financial. Intrinsically, it was an outcome of a comprehensive breakdown of fundamental economic ethics and governance system of both government supervision and business group management (Hong 2003). Confucian business ethics commonly associated with business group management came under severe scrutiny from the public and the international community.

A crisis came from outside to expose the internal weakness of a chronic debt-based financial structure with a high gear ratio of liabilities averaging five times over equity. Since the government

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\(^{10}\) Taehak Yŏnũi (‘Extended Meaning of the Great Learning’ as translated by The Academy Of Korean Studies, Seoul).

\(^{11}\) Chewanghak or sŏnghak (Learning of Monarch).
condoned such practices and concentrated on the expansion of external trade, the community of business groups took for granted what amounted to financial juggling in the eyes of international lenders (Hong 2003). The banking community of Korea was also exposed to high risk because commercial banking practice was effectively under the control of government in selectively financing high priority projects according to government economic plans. The troika of government, banking and business groups grew insensitive to repeated warnings from the international financial community.

This study referred to the effect that the underlying Confucian patriarchy of governance with government at the top as a father figure within the architectural economic structure of the nation grew ossified and lost the flexibility to effectively sense oncoming risk and respond to it in a timely fashion. The Confucian collective ethics that permeated both the public sector and business groups came under scrutiny for its failure with fundamental ethical practices of due diligence with transparency and governance. The ethical strength that underpinned the success of business groups now became the basis of total condemnation for such a comprehensive failure (Chang 2003).

This occasion propelled a sweeping reform that resulted in exit of half of the thirty leading business groups and a ground-up restructuring of the survivors. The ‘carrot and stick’ approach the government took left little choice to business groups in this time of crisis as all groups without exception were in need of rescue finances mostly sourced from public funding. The public unanimously demanded both political and economic accountability for lax governance and excesses, for creating a level of risk that went beyond national capacity. The newly instated government of Kim, Dae-Jung (presidency 1998-2003) responded in kind with a sweeping reform agenda targeted at the overhaul of the conglomerate dependency of the Korean economy (Chang 2003).

This study stressed that this agenda of reform and its details on reform were fine-tuned with the international organisations of the IMF and World Bank which led the rescue mission. Financial and ethical responsibility placed on government and business leadership was total and immediate. While new government and business groups did not openly condemn the efficacy of Confucian business ethics, the occasion provided an impetus for a re-awakening to the Neo-Confucian egalitarian ethics of impartial governance. It was tantamount to revisiting the fundamental issue of
transparency and governance that frequently became the challenges of Confucian governance throughout history (Ha & Lee 2007).

The practical impact of reforms was the opening of both corporate equity and banking ownership to foreign investors up to majority shareholding. Foreign bankers and major equity partners now operational within the Korean economy naturally demanded the same level of transparency and accountability, namely, the governance fundamentals. The great majority of local equity partners were member companies of business groups. Hence, business group governance had to adjust to this new set of circumstances. The then incumbent government used such circumstantial conditions as political leverage to achieve what was considered the nearly impossible task of holistic reform of politically well connected business groups (Sonu 2007).

Initial responses by business groups were a mix of compliance, resistance and attempts to out-manoeuvre the government reform agenda. The study noted, however, that this reform was a beginning of institutionalizing the system of global corporate governance on the part of business groups and the commercial banking community (Kim, YK 2000). This institutionalization of governance in the form of ethical representation of stakeholders’ interests and management accountability progressed in the full awareness of business groups’ re-awakening to what had been hitherto remiss regarding the Neo-Confucian egalitarian ethical strand.

This study highlighted the crisis and reform as the defining turning point for the rebirth of business groups as the economic locomotives of the nation. Debt levels went down to a healthy average of two hundred per cent gear ratio as a result of the reforms of 1998-2000. Accounting practices and transparency of reporting have been upgraded to what global community would consider acceptable standard. A good part of overextended assets have trimmed down. Cross-guarantee of loans have been repealed. There has been a level of selective refocusing on core competence and/or businesses. In-group subsidisation has been reduced. Rights of minority shareholders have been greatly enhanced (Kong 2000). These matters have been the core points of the so-called ‘five principles’ for corporate restructuring announced by government January 13, 1998,\textsuperscript{12} and are very much in progress to date.

\textbf{7.2.4 Research Findings on Global Civil Society: Global Corporate Citizenship}

Contemporary Neo-Confucian leaders, commonly called the ‘fourth generation’ scholars (Bresciani 2001), have consistently struggled with the thesis that the Confucian system of belief and way of life, having served as state ideology in East Asian nations for two millennia, is compatible with global dynamics of market economy, civil societal institutions and democratic polity. Business groups in the era of post-reform and vibrant liberal democracy in Korea are also asking if their cultural embedding in Confucian ethics is or can be compatible with such global dynamics.

This study refers to the resilience of Confucian cultural undercurrents inherent within the archetype (Jung 1971) of the consciousness and sub-consciousness of the leaders and senior management of Korean business groups. Whereas a framework of social harmony was visibly broken with the onslaught of global financial forces and divergent values unfamiliar to Confucian social decorum of rites, the resilient Confucian intellectual heritage strives to reach a new plateau of harmony with its values and new circumstances through the process of re-equilibration (Piaget, Brown & Thampy 1985), harmonizing re-awakened internal cognition with new structural externality.

7.2.4 (a) Global Economic Ethics: The Crisis of Ecology
In this study, the possibility has been discussed that Korean business groups could foster Confucian corporate citizenship to meet the challenges of the norms and realities of what global civil society represents and aspires to. This process of nurturing such global citizenship is still in progress with much to be achieved henceforth. One of the crucial challenges to such a Confucian global corporate citizenship comes from the crisis of global ecology because business groups of East-Asia including Korea have much to account for as major actors in industrialization process thus far and also potentially solution providers in amelioration of the ecological situation (Tu 1998).

It was also noted in this study that the business community of Korea and Japan represented through respective industry confederations made official declarations of support for global ecological policy based on the spirit and principle of symbiotic co-existence, and also declaring support for the Kyoto Protocol and other international regimes under discussion. This belief is an extension of Confucian cosmology, whereby the Confucian ‘self’ is perceived in a nexus with the

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13 'symbiotic co-existence': kongsae in Korean and kyōsei in Japanese.
nature and cosmos. The Confucian self is considered a product of nature, rather than as a detached being in contrast to or a conqueror of nature as viewed in the Enlightenment project (Tu 1996).

The East-Asians are coming out from what used to be the so-called ‘developmental economies’ whereby they have rushed their development with no regard to sustaining nature. They are now reawakened to the Confucian teachings that refer to nature as the source of their beings. The East-Asians now face the challenge of acting upon this moral grounding of the human nexus with both earth and Heaven (Tu 1998).

It has been suggested that Confucian humanism has to recover its cosmological principle of the unity between humans and nature. Conversely, it has to return and live up to the inextricable nexus of relationships both between human and human, and between human and nature. The Confucian East-Asian moral dictate is how to recover its philosophical anthropology whereby nature is the source of all lives including humans, not merely resources to conquer and use up. In a nutshell, Confucian East-Asia had a wake-up call, having long followed upon the enlightened worldview rooted in scientific rationality, materialism and social utilitarianism in the interest of progress.

Confucians are reminded of Lao Tzu’s teachings of ‘unity with nature’ as a viable solution and hope they are not too late to play their proper roles as responsible parties in the global community.

The study also noted that the bigger challenge facing economic ethics lies in whether and how Confucian East-Asians can refresh their philosophy of life in order to responsibly live up to the principles and worldview born of Confucian humanity. Confucian humanism rooted in the human-to-nature nexus demands that the common concerns of the global community are listened to and economic ethics concerning global ecology are properly attended to, as the circumstances can only worsen with the passage of time. The Confucian call for the deep ecology (Tucker & Berthrong 1998) implies re-anchoring the economic ethics around the preservation of nature as a long term and in-depth engagement.

7.2.4 (b) Global Confucian Humanism: Shift in Agency: Microcosmic Group to ‘Anthropocosmic’ Nexus
The study shed light on the aspect of Confucian humanism and its possible contribution to the building of the global community of civil societies in its worldview (Steger 2008). Contemporary Confucian luminaries\textsuperscript{14} offered the views in this regard that Confucian tradition in fact can reinforce the globalization process by civilizing the process in the building of a more livable society, though not necessarily a legalistic civil society.

Contribution of this nature can be made through sharing of the integral Confucian values such as humanity, civility, and reciprocity, by reinforcing democracy, knowledge and science within the global market economy (Chang 1938). Korean political leaders such as Kim, Dae Jung, together with Confucian business leaders, continued to believe firmly in Confucian relevance with the three key tenets of civil society, i.e., democratic polity, civil capitalism and the rule of law (Kihl 2004). The study refers to the project of globalizing Korean business groups and their norms of Confucian humanism and ethics on the same continuum as the process of the globalizing of Korean civil society that is much underway.

One of the crucial points of discourse on Confucian ethics in the study was the issue of agency, because critics of business group management argue that group management has wrongly attributed their agency to the pinnacle of group power, namely, the chairs, whereas management is under a moral and legal commitment to offer their duties as the agent for delivering what was delegated by the principals irrespective of the agents human relationship or organisational allegiance. The agenda of post-crisis reform had a number of important changes to be made with the way management and chairpersons perceive and perform their duties. However, the common denominator of these changes was the principle of agency (Kang, Kim & Bae 2001). Confucian ideals of governance were based on the classical discourse on the ‘ordering of the world’ or as it is commonly called in Korean kyŏngse (ching-hsi in Chinese).

This governance ideal is closely related to Confucian religiosity and cosmology. The secularity of the Confucian belief system is predicated upon the immanent transcendence of Confucian spirituality. Confucian spirituality is immanent within the self that is in a nexus with the transcendental being of the Heaven or the cosmos. The self is equal to a microcosm with a vital transcendental link with the greater self. Hence the Confucian pursuit of the superior personhood

\textsuperscript{14} Views are offered by Liang Shuming (1893-1988), Mou Tsung-san (1909-1995) and Chang Chun-mai (Chang, Carsun, 1887-1969).
through self-cultivation and public service is the realization of a transcendental potential immanent within the microcosm of the self (Tu 2004). In this context of ‘anthropocosmic’ nexus of self-perception and self-realization, the shift in the critical perspective such as on the matter of agency occurs both on the highest level, namely, chairs of business groups, and on the senior level so that mutual understanding points to the common ethical anchor of such Confucian self and greater self.

It was found necessary in the study to refer back on Confucian governance to the ideals of the sovereign as a sage or the chairs or top management in the contemporary business group context. The ideal was to expect Confucian sage-hood not only of sovereigns but also from ministers and commoners, namely, all levels of constituents within the contemporary business group frame of reference. Conversely, the ideal was about servant kings or sage within and king without. This ideal is also in currency within the community of senior position holders in Confucian East-Asia whether in government or in business as an axiomatic guideline for awareness of responsibility and duties towards a greater community. The understanding of the way of kingship and/or in the same context to the way of leading large industrial concerns is that the sovereign is not considered the absolute being beyond fallibility and moral challenge. Rather the status of the sovereign or supreme leader is that of the first among equals (Chi 1993). Revisiting this fundamental governance ideal is to prove that what Confucian humanism aspires to is consistent with what global civil society prescribes for governance. The direct political impetus to revisit Confucian demo-centrism came from the democratization of the Korean polity that contemporaneously occurred with the reform of the Korean economy and business groups. It was shown in the study that the Confucian teaching both of Confucius and Mencius about ‘human centrism or demo-centrism’ remains emphatic and relevant.

7.3 CONCLUSION

7.3.1 Response to Research Question and its Hypotheses: Conclusion and its Qualifications

16 paedo (Korean), wang-do (Korean).
17 jenpen chui (renben zhuyi: human centrism or demo-centrism)
This chapter now turns to draw the conclusion of the thesis, and also undertakes to answer the ‘main research question’ encapsulated in the two hypotheses with which this study embarked in Chapter One, i.e.,

(1) that the ethics of Korean business conglomerates are derived from Confucianism and their operating principles remain anchored in Confucian humanism, and

(2) Confucian humanism remains central to Korean business conglomerate’s determination of their global strategies and corporate governance.

As the study seeks the clues to the answer, the following overview covers the themes of this trans-temporal, cross-cultural and inter-disciplinary discourse on both Confucian ethical groundings and business aspects. It reflects what this study has covered thus far through ‘focus group’ discussions, documentary corroborations, reviews of literatures and analysis and interpretations of the aforementioned that preceded the current chapter. This sixth and final chapter proceeded to a synthesis of such analysis and interpretations within the entirety of the framework of this thesis in order to reach the research findings.

It followed the main themes of Confucianism and its humanism both as the foundational ethics of Korean business groups and the principles of management and governance. The themes also traced the foundation phase, and followed through the evolutionary stages both of business groups and their Confucian humanism as the undercurrent of economic ethics of business groups.

This study has identified the unequivocal evidence of the underlying Confucian humanism and its implications birth and evolution of business groups. There has been a continuity of a metaphysical nexus among Confucian cosmology (Tu & Tucker 2004), secular religiosity (Taylor 2007) and worldviews that continue to play an important role in determining how they perceive their newly emerging life-world conditions and undertake their corresponding roles of Confucian self and a greater self in response.

The interplay of the diverse factors and multi-levels of the cultural and philosophical layers emerged, but there was an unmistakable Confucian metaphysical and ethical foundation of the humanity or human-ness Confucius himself taught as the bedrock of Confucian teachings that
supported all the other aspects and myriad further teachings. Confucian attributes remained in the habits of mind, in family and human relationships, and culture and aesthetics.

The religiosity of tolerance and the egalitarian attribute of Confucianism stood out. The Confucian life-long goal to ‘become human’ (Tu, 1985a) placed an emphasis on self-cultivation and education for all whether in business or the public service. Self-cultivation and communication in a way desirable for the Confucian superior person supported openness to and appreciation of aesthetics and creativity of the nature.

While business groups and leaders were integral partners within the dynamics of the fast paced government-business joint economic drive, it was shown as evident in Korea and other Confucian East-Asian nations that Confucian business persons followed the ethical tradition of Confucian humanism in serving a greater community through engaging in one’s trade and industry.

Despite the fact that Confucianism served as the state ideology for two millennia in major East Asian nations, it had institutional drawbacks in terms of a self-correcting process or in responding to crises, such as the one that befell Korea in 1997-2000. As ardent students of the West in science and the democratic institutional studies for the last century and a half, East-Asians, led by Japan, were willing to learn and find out how they can accommodate and marry such an advantageous system as modern constitutionalism and a system of governance in support of the disciplines and dynamics of the market economy. Korean business groups underwent reforms and are in the process of migrating into global system, and also seek to find their own unique contribution to make as global players, dwelling on their own vision of what Confucian humanism would call for.

In response to the research question expressed in its two associated hypotheses:

Firstly, on the hypothesized question as to whether Confucianism is the foundational ethics of Korean business groups, and Confucian humanism remains at the centre of their operating principles, business groups indeed had Confucian ideals and its humanism embedded in their cultures at birth. Throughout the evolutionary stages of their businesses, including the major crisis and reform era, business groups had their Confucian humanism as the undercurrent of business ethics both idealized and aimed at in practice.
This broadly affirmative response, however, requires important qualifications. As discussed in this chapter of synthesis and earlier ones, Confucianism is a belief system and way of life with a rich history of diverse strands of ideas and that interacted with and enriched mutually other major belief systems, and still undergoes a dynamic change of its own tradition. Hence, leaders of business groups can and do draw diverse sets of inspirations from Confucian teachings of the Classical age and of today from the contemporary Confucian luminaries.

Secondly, on the hypothesized question as to whether Confucian humanism remains central to Korean business groups as the key determinant of their global strategies and the underpinning of corporate governance; the response is affirmative, but with more specific qualifications.

Confucian humanism did advance governance by providing the fertile ground of the demo-centric Confucian ethos. Such humanism was reinforced by self-cultivation to ‘become truly human’ (Tu, 1985a), while placing extraordinary emphasis on life-long education for all, energizing social mobility. Concentrated investment in human capital and its associated social capital provided a substantial strategic contribution to business groups thus far vis-à-vis knowledge-based industries, enabling dynamic challenges aimed at global excellence. The institutionalization of governance, however, required a substantial improvement. Such institutionalization may occur in interactions with the rest of the world, and can benefit from working together other democratic institutions under globally practiced system of governance.

The Confucian belief in the unity of human to nature needs to be re-awakened in the modern context to refresh Confucian values of long held humanism in jointly meeting such major global challenges as the ecological crisis where Confucian East-Asians must shoulder their fair share of responsibility on account of the damaging roles played in the process of industrialization, and, more importantly, as possible solution-providers.
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Appendix 2: Glossary

This glossary covers those vocabulary items referred to in the text of the thesis, and also some appear as those in common use and found useful in discussions on Confucianism and business groups of Korea. This glossary is in three languages in view of the close inter-connectedness as regards Confucianism and business groups. Trilingual equivalents are given only if in current use. The meanings of many words are often more than one. Hence the most common ones are given. Most Chinese characters are commonly recognized by the three nations, but exceptions exist. Some writings of uniquely Japanese practices are quoted in parentheses with denotations of [Kanji].

*Romanization Conventions

For **Korean**, the McCune-Reischau system\(^1\) has been used. Exceptions are made for those cases where the use of alternative conventions is clearly established. In the quotation of other works, the conventions used by original sources have been maintained, unless changes were considered imperative.

For **Japanese**, the Hepburn system\(^2\) has been used together with modifications made by Kenkyusha’s new Japanese-English Dictionary, 3\(^{rd}\) edition. Exceptions are made for those cases where the use of alternative conventions is clearly established. In the quotation of other works, the conventions used by the original sources have been honoured, unless changes were considered necessary to maintain integrity of the texts.

For **Chinese**, the Wade-Giles system\(^3\) has been used and pinyin equivalents are shown where deemed necessary. It has adopted the current practices at UCLA entitled the *Wade-Giles to Pinyin Conversion Table*. It is also identical with the system adopted by the Library of Congress. In the quotation of other works, the conventions used by original sources have been used, unless changes were considered desirable.

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<td>ming</td>
<td>myōng</td>
<td>冥</td>
<td>冥</td>
<td>shepherding for the people, a term used for ‘civic service’ in the modern context</td>
</tr>
<tr>
<td>mu-min</td>
<td>mu min</td>
<td>mongmin</td>
<td>牧民</td>
<td>牧民</td>
<td>宕</td>
</tr>
<tr>
<td>weiwang</td>
<td>weiwang</td>
<td>waewang</td>
<td>內聖外王</td>
<td>內聖外王</td>
<td>sage within, king without</td>
</tr>
<tr>
<td>Chinese</td>
<td>Chinese</td>
<td>Korean</td>
<td>Japanese</td>
<td>Character</td>
<td>Meaning</td>
</tr>
<tr>
<td>---------</td>
<td>---------</td>
<td>--------</td>
<td>----------</td>
<td>-----------</td>
<td>---------</td>
</tr>
<tr>
<td>Wade-Giles</td>
<td>Pinyin</td>
<td>McCune-Reischauer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>paedo</td>
<td>覇道</td>
<td>ruled by force</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>pao</td>
<td>bao</td>
<td>p’ok</td>
<td>暴</td>
<td>overbearing</td>
<td></td>
</tr>
<tr>
<td>pai hsing</td>
<td>baixing</td>
<td>paeksŏng</td>
<td>百姓</td>
<td>the hundred surnames, populace</td>
<td></td>
</tr>
<tr>
<td>pen-hsin</td>
<td>benxin</td>
<td>bonsim</td>
<td>honshin</td>
<td>本心</td>
<td>original mind</td>
</tr>
<tr>
<td>p’ien</td>
<td>pian</td>
<td>p’yŏn</td>
<td>偏</td>
<td>one-sided</td>
<td></td>
</tr>
<tr>
<td>po</td>
<td>bo</td>
<td>pak</td>
<td>薄</td>
<td>thin</td>
<td></td>
</tr>
<tr>
<td>ruhsüeh</td>
<td>ruxue</td>
<td>yuhak</td>
<td>jugaku</td>
<td>儒學</td>
<td>Confucianism</td>
</tr>
<tr>
<td>san-kang</td>
<td>sangang</td>
<td>samgang</td>
<td>sabi</td>
<td>三條目</td>
<td>three headings and eight particulars</td>
</tr>
<tr>
<td>pat’iamu</td>
<td>batiamu</td>
<td>paljumok</td>
<td>靈</td>
<td>[律令]</td>
<td>laws and regulations</td>
</tr>
<tr>
<td>sanminchui</td>
<td>sanmin</td>
<td>zhuiy</td>
<td>sanminjuji</td>
<td>三民主義</td>
<td>Political ideals of Republic of China (nationalism, democracy and welfare)</td>
</tr>
<tr>
<td>shan</td>
<td>shan</td>
<td>sŏn</td>
<td>zen</td>
<td>善</td>
<td>goodness</td>
</tr>
<tr>
<td>shan jen</td>
<td>shanren</td>
<td>sŏnin</td>
<td>善人</td>
<td>good/adept person</td>
<td></td>
</tr>
<tr>
<td>shengming</td>
<td>shengming</td>
<td>saengmyŏng</td>
<td>yuhak</td>
<td>生命儒學</td>
<td>Life Confucianism or Confucianism of vitality</td>
</tr>
<tr>
<td>ruhsüeh</td>
<td>ruxue</td>
<td>yuhak</td>
<td>聖人</td>
<td>sage</td>
<td></td>
</tr>
<tr>
<td>sheng jen</td>
<td>shengren</td>
<td>sŏng’in</td>
<td>聖人</td>
<td>scholar-official</td>
<td></td>
</tr>
<tr>
<td>shih</td>
<td>shi</td>
<td>sa</td>
<td>士</td>
<td>scholar-official</td>
<td></td>
</tr>
<tr>
<td>shih chi</td>
<td>shiji</td>
<td>sagi</td>
<td>史記</td>
<td>Grand Scribe’s Records</td>
<td></td>
</tr>
<tr>
<td>Shih-ching</td>
<td>shijing</td>
<td>sigyŏng</td>
<td>詩經</td>
<td>Book of Poetry</td>
<td></td>
</tr>
<tr>
<td>shih min</td>
<td>shimin</td>
<td>samin</td>
<td>使民</td>
<td>proper employment</td>
<td></td>
</tr>
<tr>
<td>shih jen</td>
<td>shiren</td>
<td>sain</td>
<td>使人</td>
<td>employment of jen</td>
<td></td>
</tr>
<tr>
<td>Wade-Giles</td>
<td>Pinyin</td>
<td>McCune-Reischauer</td>
<td>Character [Kanji]</td>
<td>Meaning</td>
<td></td>
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<tr>
<td>------------</td>
<td>--------</td>
<td>------------------</td>
<td>------------------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>shu</td>
<td>shu</td>
<td>su</td>
<td>silsa kusi</td>
<td>seek truth from facts (or real events)</td>
<td></td>
</tr>
<tr>
<td>shu</td>
<td>shu</td>
<td>sō</td>
<td>sirhak jitsugaku</td>
<td>Practical or Real Learning</td>
<td></td>
</tr>
<tr>
<td>ssu</td>
<td>si</td>
<td>sa</td>
<td>shu s u</td>
<td>calculations</td>
<td></td>
</tr>
<tr>
<td>ssu</td>
<td>si</td>
<td>sa</td>
<td>shu sŏ</td>
<td>placing oneself in another’s place</td>
<td></td>
</tr>
<tr>
<td>ssulu</td>
<td>silu</td>
<td>saryŏ</td>
<td>shu sŏ</td>
<td>writing</td>
<td></td>
</tr>
<tr>
<td>ssu-tuan</td>
<td>siduan</td>
<td>sadan</td>
<td>shu sŏ sŏ’ŏn</td>
<td>the many</td>
<td></td>
</tr>
<tr>
<td>ta</td>
<td>da</td>
<td>tae</td>
<td>ta da tae’ŏn</td>
<td>great</td>
<td></td>
</tr>
<tr>
<td>ta</td>
<td>da</td>
<td>tal</td>
<td>ta da tae’ŏn</td>
<td>great</td>
<td></td>
</tr>
<tr>
<td>ta jen</td>
<td>daren</td>
<td>tae’ŏn</td>
<td>ta jen daren tae’ŏn</td>
<td>four feelings(beginnings)</td>
<td></td>
</tr>
<tr>
<td>ta-hsüeh</td>
<td>daxue</td>
<td>taehak</td>
<td>ta-hsüeh daxue taehak</td>
<td>Great Learning</td>
<td></td>
</tr>
<tr>
<td>ta-t’ung</td>
<td>datong</td>
<td>taedong</td>
<td>ta-t’ung datong taedong</td>
<td>Great Commonwealth</td>
<td></td>
</tr>
<tr>
<td>t’ai-chi</td>
<td>taiji</td>
<td>t’ae</td>
<td>t’ai-chi taiji t’ae</td>
<td>the Supreme Ultimate</td>
<td></td>
</tr>
<tr>
<td>t’ai-ho</td>
<td>taihe</td>
<td>t’aehwa</td>
<td>t’ai-ho taihe t’aehwa</td>
<td>the great harmony</td>
<td></td>
</tr>
<tr>
<td>t’ai-hsū</td>
<td>taixu</td>
<td>t’aehŏ</td>
<td>t’ai-hsū taixu t’aehŏ</td>
<td>the Great Void</td>
<td></td>
</tr>
<tr>
<td>tao</td>
<td>dao</td>
<td>to</td>
<td>tao dao to</td>
<td>Way/noble way</td>
<td></td>
</tr>
<tr>
<td>te</td>
<td>de</td>
<td>tŏk</td>
<td>te de tŏk</td>
<td>virtue</td>
<td></td>
</tr>
<tr>
<td>t’i</td>
<td>ti</td>
<td>ch’e</td>
<td>t’i ti ch’e</td>
<td>body</td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>---------</td>
<td>--------</td>
<td>----------</td>
<td>------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Wade-Giles</td>
<td>Pinyin</td>
<td>McCune-Reischauer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>t‘i-yung</td>
<td>tiyong</td>
<td>ch‘eyong</td>
<td></td>
<td>體用</td>
<td>substance and function</td>
</tr>
<tr>
<td>t‘ien</td>
<td>tian</td>
<td>ch‘ön</td>
<td></td>
<td>天</td>
<td>heaven</td>
</tr>
<tr>
<td>t‘ien-fu</td>
<td>tianfu:</td>
<td>ch‘önbu</td>
<td></td>
<td>天賦</td>
<td>heaven's endowment</td>
</tr>
<tr>
<td>t‘ien-ming</td>
<td>tianming</td>
<td>ch‘önmyöng</td>
<td></td>
<td>天命</td>
<td>heaven's imperative</td>
</tr>
<tr>
<td>t‘ien-hsia</td>
<td>tianxia</td>
<td>ch‘önha</td>
<td></td>
<td>天下</td>
<td>Heaven and Earth</td>
</tr>
<tr>
<td>t‘ien-hsing</td>
<td>Tianxíng</td>
<td>ch‘önsöng</td>
<td></td>
<td>天性</td>
<td>heavenly nature</td>
</tr>
<tr>
<td>tsojen</td>
<td>zuoren</td>
<td>chomulchu</td>
<td></td>
<td>造物主</td>
<td>creator</td>
</tr>
<tr>
<td>tsao-wu chu</td>
<td>Zawuzhu</td>
<td>comulchu</td>
<td></td>
<td>做人</td>
<td>to be a person or to become human</td>
</tr>
<tr>
<td>t‘ung</td>
<td>tong</td>
<td>tong</td>
<td></td>
<td>同</td>
<td>agreement</td>
</tr>
<tr>
<td>tzu-shih</td>
<td>zishi</td>
<td>chasil</td>
<td></td>
<td>自失</td>
<td>self-negligence</td>
</tr>
<tr>
<td>tzu-te</td>
<td>zide</td>
<td>chadŏk</td>
<td>wangdo</td>
<td>自得</td>
<td>attaining it in oneself</td>
</tr>
<tr>
<td>wen</td>
<td>wen</td>
<td>mun</td>
<td></td>
<td>王道</td>
<td>rule by virtue</td>
</tr>
<tr>
<td>wentzu</td>
<td>wenzi</td>
<td>munja</td>
<td></td>
<td>文</td>
<td>cultural tradition(human culture)</td>
</tr>
<tr>
<td>wu-wei</td>
<td>wuwei</td>
<td>muwi</td>
<td></td>
<td>無為</td>
<td>non-action</td>
</tr>
<tr>
<td>yangmyönghak</td>
<td>yömeigaku</td>
<td></td>
<td>Study of Wang Yang-ming</td>
<td></td>
<td></td>
</tr>
<tr>
<td>yōmin tongnak</td>
<td></td>
<td></td>
<td>與民同樂</td>
<td>bliss of sharing happiness with the populace</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3: Biographic Digests

*Romanization Conventions for Names

For Koreans, the McCune-Reischauer system\(^1\) has been used. Exceptions are made for those names where the use of alternative conventions is clearly established and in current use.

For Japanese, the Hepburn system\(^2\) has been used together with modifications made by Kenkyusha’s new Japanese-English Dictionary, 3rd edition. Exceptions are made, as with Korean names, for those names where the use of alternative conventions is clearly established and in current use.

For Chinese, the Wade-Giles system\(^3\) has been used and pinyin equivalents are shown where deemed necessary. It has adopted the current practices at UCLA entitled the *Wade-Giles to Pinyin Conversion Table*. It is also identical with the system used by the Library of Congress. Exceptions are made, as with Korean and Japanese names, for those names where the use of alternative conventions is clearly established and in current use.

Chang, Tsai (Zhang, Zai, 張載: 1020-1077). One of the three major Chinese philosophers and also one of the most renowned Neo-Confucians in the Northern Sung dynasty (960-1126).

Ch'eng, Hao (程顥: 1032-1083). Ch'eng Hao and his younger brother Cheng Yi (1033-1108) were the most noteworthy scholarly legends of early Chinese Neo-Confucianism of Sung dynasty (960–1279) in China with Chang Tsai.

Ch'eng, I (程頤: 1033-1108) see Ch'eng Hao.

Ch'eng-Chu (程朱). A combined name of Ch'eng brothers and Chu Hsi given as a school of thought.

Chung, Tojŏn (鄭道傳: 1342-1398). A leading Neo-Confucian scholar and statesman during the late Koryŏ dynasty and the early Yi dynasty in Korea.

Chung, Yag-yong (also Tasan, 丁若銓: 1762-1836). A leading Korean philosopher during the Yi Dynasty who was regarded as the greatest of the Sirhak (Practical Learning) thinkers.

Chou I (see Chou-i).

Chou, Tun-i (周敦頤: 1017-1073). One of the most noteworthy scholarly legends of early Chinese Neo-Confucianism and a cosmologist. While he was influenced by Buddhism and Taoism, he followed the most ancient tradition of Chinese metaphysics as consigned in the Book of Changes (*I Ching*).

Chu, Hsi (Zhu, Xi, 朱熹: 1130–1200). A Sung Dynasty (960-1279) Confucian scholar who became one of the most significant Neo-Confucians in China. Zhu Xi was also influential in Japan, where his followers were called the *Shushigaku* (朱子学) school.

Chuang, Tzu (Zhuangzi: 莊子). A famous philosopher during the Warring States Period in ancient China (ca the 4th century B.C.E.).


Confucius (孔夫子: 551–479 B.C.E.). A famous Chinese thinker and social philosopher. His teachings and philosophy have deeply influenced East Asian life and thought which emphasised personal and governmental morality, correctness of social relationships, justice and sincerity.

Ham, Sŏk-Hŏn (咸鎬憲: 1901-1989). One of Asia's most important voices for democracy and non-violence during the 20th Century. Though formally a Quaker, he concluded that all religions are one.

Han, Fei Tzu (Han Feizi, 韓非子: ca. 280-233 B.C.E.). A philosopher of the Han dynasty in China who, along with Li Ssu, developed Hsün Tzu's philosophy into the doctrine embodied by the School of Law or Legalism.

Hayashi, Razan (林羅山: 1583-1657). A Japanese Neo-Confucianist philosopher, serving as an advisor to the first three shoguns of the Tokugawa bakufu. He was greatly influenced by the work of Chinese Neo-Confucianist Zhu Xi.

Hsiung Shihli (Xiong Shili: 1885-1968). He was one of the leading Neo-Confucian scholars and philosopher of modern China, known for the 'Consciousness Only (weishih lun) treatise as a critique of Buddhist philosophy. He taught philosophy in Beijing University.

Huang, Tsung-hsi (Huang Zongxi, 黃宗羲: 1610-1695). A Chinese political theorist, philosopher, and soldier during the latter part of the Ming dynasty into the early part of the Ch'ing dynasty.

Huineng (HuiNeng, 慧能 or 惠能: 638-713). A Chinese Chan (Chinese Zen) monastic who is one of the most important figures in the entire tradition. Huineng is the Sixth Patriarch of Chinese Chan Buddhism, as well as the last official patriarch.

Ishida, Baigan (1685-1744). A scholar of the merchant (chōnin) class in the mid-Edo period, founder of Sekimon Shingaku, the school of 'Heart-Mind Learning'.

Jing (漢景帝: 188-141 B.C.E.). An emperor of China in the Han dynasty (156-141 B.C.E.)

K'ang, Yü-wei (K'ang Yu-wei, 康有為: 1858-1927). A Chinese philosopher and reform movement leader. He was a leading philosopher of the new text school of Confucianism, which regarded Confucius as a utopian political reformer.

Kim, Chŏng-Hi (also Chusa. 金正喜: 1786-1856). A calligrapher and metal scholar during the Yi dynasty in Korea. He was a minister at the late period of Yi dynasty and his knowledge and art are well-informed in various fields.

Kuan Tzu (Guanzi, 管子 or Kuan Chung (管仲): d. 645 B.C.E.). He was prime minister of the state of Ch'i and is regarded as one of the three patriarchs of Tao with Lao tzu

Kuei-chi (竅基, Kuei-chi: 632–682). One of disciples of Hsuan-tsang (玄奘: 596-682) and the developer of the Wei-shih (Consciousness Only) school which is one of the Chinese Mahayana schools in China.
Lao Tzu (Laozi, 老子). A major figure in Chinese philosophy whose existence is still debated. According to Chinese tradition, he lived in the 6th century B.C.E. However, many historians placed his life in the 4th century B.C.E., which was the period of Hundred Schools of Thought and Warring States Period. He was recognised as the founder of Taoism.

Laozi (see Lao Tzu)

Liang, Chi’-ch’ao (Liang, Qichao 梁啟超: 1873-1929). An essayist, historian, reformer and one of the most influential intellectuals in China in the first half of the twentieth century.

Lu, Hsiang-shan (Lu, Jiuyuan, 陸象山: 1139-1193). A Chinese Neo-Confucian philosopher, government official and a teacher of the Southern Song dynasty. He was the rival of the great Neo-Confucian rationalist Chu Hsi.

Lu-Wang (陸王). A combined name of Lu Hsiang-san and Wang Yang-ming given as a school of thought.

Mencius (Meng Zi: ca. 372–289 B.C.E.). A Chinese philosopher and follower of Confucianism who argued that humans are naturally moral beings but are corrupted by society.

Mo-Tzu (Mozi, ca. 470-390 B.C.E.). A philosopher who lived in China during the flowering of the ‘Hundred Schools of Thought’ during the early Warring States Period. He founded the school of Mohism and argued strongly against Confucianism and Taoism.

Mou, Tsunsan (牟宗三, Mou Zongsan: 1909-1995). A Neo-Confucian philosopher. His thought was heavily influenced by Immanuel Kant and he translated all three of Kant's Critiques into Chinese.

Park, Che-ga (朴齊家: 1750-1805). He was an advanced scholar of Yi dynasty Korea who had a deep knowledge in the Manchu dynasty and influenced importantly to Kim Jung He.

Park, Chi-wŏn (朴趾源: 1737-1805). A Shirak thinker and writer during the late Yi dynasty. He believed that Heaven bestowed unique talents on all men. His major work was Tale of the Yangban.


Ricci, Matteo (1552-1610) Born in Macerata, Papal States (now Italy). An Italian Jesuit missionary who introduced Christian teaching to the Chinese empire in the 16th century. He founded the Catholic missions of China.

Shibusawa Ei’ichi (1840-1931). One of the builders of the modern Japanese economy and society. Founder of First National Bank of Japan, and is known as the "father of Japanese Capitalism.

Ssuma, Ch’ien (司馬遷: ca. 145-90 B.C.E.). A perfect of the Grand Scribes (太史令) of the Han dynasty. He is regarded as the father of Chinese historiography because of his highly praised work, Shiji (史記, 'history record').

Sun, Yatsen (孫逸仙: 1866-1925). A Chinese revolutionary and political leader who is often referred to as the "father of modern China". He was the first provisional president when the Republic of China was founded in 1912. He later co-founded the Kuomintang (KMT) and served as its first leader.
Tan’gun (단군檀君: reign circa 2333 B.C.E.). Mythical founding father of Korea, known to have ruled with the foundational ideology of ‘broadest benevolence for humanity (hong’ik In’gan).’

T’oegeye (see Yi, Hwang).

Tung, Chung-shu (董仲舒, Dong Zhongshu: ca. 195-115). A Han dynasty Confucian scholar. His thought integrated yin yang cosmology into a Confucian ethical framework.


Wang, Yang-ming (王陽明, Japanese Ōyōmei: 1472-1529). A Chinese idealist Neo-Confucian scholar-official in Ming dynasty. After Chu Hsi, he is commonly considered the most important Neo-Confucian thinker. His school of thought (Ōyōmei-gaku in Japanese) also greatly influenced the samurai ethic of that time in Japan.


Yi, Hwang (also T’oegeye, 李滉: 1501-1570). One of the most honored thinkers of the Korean Neo-Confucian tradition. His fully balanced and integral grasp of the complex philosophical Neo-Confucian synthesis woven by Chu Hsi during Sung dynasty China marks the tradition’s arrival at full maturity in Korea.

Yi, Ik (also Sŏngho, 李瀷: 1681-1763). An early sirhak (Practical Learning) philosopher and social critic in Yi dynasty Korea.

Yi, I (also Yulgok, 李珥: 1536-1584). A noted Korean sage in Yi dynasty. He is one of the two most famous Korean Confucian Scholars with T’oegeye.


Yun, Sŏndo (孤山 尹善道: 1587-1671). A noted Korean poet of the Yi dynasty. He is considered the greatest master in the history of Korean literature. His most famous work is The Fisherman’s Calendar a cycle of forty seasonal sijo.

Zhang, Zai, see Chang Tsai.

Zhou, Dunyi, see Chou Tun-i.

Zhu, Xi, see Chu His.

Sources:

1. Who’s Who in the World

2. Han’guk yöktæ Inmul Sajŏn (Korean Dictionary of Historical Figures):

3. Chinese Chapter of East Asian History Sourcebook
   (http://www.fordham.edu/halsall/eastasia/eastasiasbook.html#Imperial%20China) viewed 28 October 2008.
Appendix 4.1.1 (Figure)

Family Cross-holding of 30 Business Groups of Korea

Source: Fair Trade Commission of Korea.
Appendix 4.1.2 (Figure)

Source: Bank of Korea.
## Appendix: 4.2.1 (Table) Conglomerates’ Equities in Commercial Banks

<table>
<thead>
<tr>
<th>Business Group</th>
<th>Hyundai</th>
<th>Samsung</th>
<th>Daewoo</th>
<th>LG</th>
<th>SK</th>
<th>Top 5 groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationwide</td>
<td>Choheung</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.29</td>
</tr>
<tr>
<td>Commercial Bank</td>
<td>Commercial</td>
<td>0.97</td>
<td>6.91</td>
<td></td>
<td></td>
<td>7.88</td>
</tr>
<tr>
<td></td>
<td>Cheil</td>
<td>0.16</td>
<td>0.18</td>
<td>0.19</td>
<td></td>
<td>0.53</td>
</tr>
<tr>
<td></td>
<td>Hanil</td>
<td>2.73</td>
<td>4.9</td>
<td>2.48</td>
<td></td>
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**Note:** As of December 1997, % of ownership.

**Source:** Ministry of Strategy and Finance of Korea.
### Appendix 4.2.2 (Table)

#### Group-based Centralised Planning and Organisation of Careers for Senior Executives

<table>
<thead>
<tr>
<th></th>
<th>Samsung Electronics</th>
<th>Samsung Corp.</th>
<th>Joongang Daily News</th>
<th>Other affiliates</th>
<th>Military</th>
<th>Civil servant</th>
<th>Others</th>
<th>Total</th>
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<td>4</td>
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<td>0</td>
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<table>
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<tr>
<th></th>
<th>Hyundai Construction</th>
<th>Hyundai Motor</th>
<th>Hyundai Heavy Industries</th>
<th>Other affiliates</th>
<th>Military</th>
<th>Civil Servant</th>
<th>Others</th>
<th>Total</th>
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<tbody>
<tr>
<td>First hired</td>
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<td>3</td>
<td>31</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>43</td>
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</table>

<table>
<thead>
<tr>
<th></th>
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<th>LG Electronics</th>
<th>LG Caltex-Oil</th>
<th>Other affiliates</th>
<th>Military</th>
<th>Civil Servant</th>
<th>Others</th>
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</tr>
</thead>
<tbody>
<tr>
<td>First hired</td>
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<td>7</td>
<td>0</td>
<td>2</td>
<td>4</td>
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</tr>
<tr>
<td>First executive position</td>
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<td>7</td>
<td>19</td>
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<tr>
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<td>2</td>
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<td>0</td>
<td>2</td>
<td>42</td>
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</table>

<table>
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<th>Daewoo Heavy Industries</th>
<th>Other affiliates</th>
<th>Military</th>
<th>Civil Servant</th>
<th>Others</th>
<th>Total</th>
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</thead>
</table>

250
<table>
<thead>
<tr>
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<th>First hired</th>
<th>First executive position</th>
<th>Latest appointment</th>
</tr>
</thead>
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<tr>
<td>SK</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SKC</td>
<td>7</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>SK Chemical</td>
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<td>4</td>
<td>4</td>
</tr>
<tr>
<td>SK Gas</td>
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<td>2</td>
</tr>
<tr>
<td>Other affiliates</td>
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<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Military</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Civil Servant</td>
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<td>0</td>
</tr>
<tr>
<td>Others</td>
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<td>1</td>
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</tr>
<tr>
<td>Total</td>
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<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Executive profile database, Korea Information Service, as of 1997.
### Appendix 4.2.3 (Table)

**Internal Trade amongst Affiliates** (in billion won)

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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume of unfair business transactions</td>
<td>Estimated amount of subsidies</td>
<td>Volume of unfair business transactions</td>
<td>Estimated amount of subsidies</td>
</tr>
<tr>
<td></td>
<td>770 33</td>
<td>348 29</td>
<td>4,093 94</td>
<td>565 44</td>
</tr>
<tr>
<td></td>
<td>720 22</td>
<td>200 7</td>
<td>399 57</td>
<td>331 35</td>
</tr>
<tr>
<td></td>
<td>422 33</td>
<td>41 8</td>
<td>5,430 86</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,057 37</td>
<td>68 7</td>
<td>1,098 12</td>
<td>504 18</td>
</tr>
<tr>
<td></td>
<td>1,055 78</td>
<td>834 4</td>
<td>1,311 2</td>
<td>1,063 28</td>
</tr>
<tr>
<td></td>
<td>4,026 209</td>
<td>1,492 55</td>
<td>12,332 250</td>
<td>2,463 126</td>
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</table>

Note: Daewoo Group, which went bankrupt in 1999, was excluded from the fourth investigation.

*Source: Korea Fair Trade Commission.*
Appendix 4.2.4 (Table)
Overview of Loan Books of 30 Business Groups 1997

<table>
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<tr>
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<th>Total loans to top 30 Business Groups</th>
<th>Top 30 Groups' share (%)</th>
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<tr>
<td>Commercial banks</td>
<td>73,827</td>
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</tr>
<tr>
<td>Non-bank financial institutions</td>
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<td>32.9</td>
</tr>
<tr>
<td>All financial institutions</td>
<td>133,776</td>
<td>24.5</td>
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</table>

Source: Financial Supervisory Service of Korea.
(Kŭmyung Kamdogwŏn)
## Appendix 4.2.5 (Table)

### Thirty Largest Groups: Rank and Status During 1997-1999 Crisis Era

<table>
<thead>
<tr>
<th>Rank</th>
<th>Business Group</th>
<th>No. of Assets</th>
<th>Sales</th>
<th>Equity</th>
<th>Debt</th>
<th>Trade (%)</th>
<th>Internal Debt (%)</th>
<th>Family Debt (%)</th>
<th>Affiliates’ Ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hyundai</td>
<td>57,521</td>
<td>67,990</td>
<td>9,842</td>
<td>436.7</td>
<td>31.6</td>
<td>102.5</td>
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<td>41.6</td>
</tr>
<tr>
<td>2</td>
<td>Samsung</td>
<td>50,705</td>
<td>60,113</td>
<td>13,809</td>
<td>267.2</td>
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<td>17.6</td>
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</tr>
<tr>
<td>3</td>
<td>LG</td>
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<td>46,674</td>
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<tr>
<td>4</td>
<td>(Daewoo)</td>
<td>34,197</td>
<td>38,243</td>
<td>7,187</td>
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<td>16.8</td>
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<td>26,640</td>
<td>4,703</td>
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<td>16.8</td>
<td>14.1</td>
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<tr>
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<td>Ssangyong</td>
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<tr>
<td>7</td>
<td>Hanjin</td>
<td>13,907</td>
<td>8,708</td>
<td>2,118</td>
<td>556.6</td>
<td>8.3</td>
<td>385.9</td>
<td>18.7</td>
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</tr>
<tr>
<td>8</td>
<td>(Kia)</td>
<td>14,121</td>
<td>12,001</td>
<td>2,289</td>
<td>516.9</td>
<td>33.8</td>
<td>110.8</td>
<td>20.8</td>
<td>9.6</td>
</tr>
<tr>
<td>9</td>
<td>(Hanwha)</td>
<td>10,592</td>
<td>9,657</td>
<td>1,244</td>
<td>751.4</td>
<td>33.8</td>
<td>110.8</td>
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<tr>
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<td>Kumho</td>
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<td>4,443</td>
<td>1,281</td>
<td>477.6</td>
<td>7.1</td>
<td>121.4</td>
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<td>37.8</td>
</tr>
<tr>
<td>12</td>
<td>(Halla)</td>
<td>6,627</td>
<td>5,293</td>
<td>306</td>
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<td>31</td>
<td>891</td>
<td>18.8</td>
<td>30.5</td>
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<td>88.1</td>
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<td>15</td>
<td>Daelim</td>
<td>5,849</td>
<td>4,832</td>
<td>1,118</td>
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<td>1,075</td>
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<td>20.8</td>
<td>3.4</td>
<td>19.4</td>
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<td>Hyosung</td>
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<td>4,443</td>
<td>1,281</td>
<td>477.6</td>
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<td>121.4</td>
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<td>Dongkuk</td>
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<td>5,293</td>
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<td>31</td>
<td>891</td>
<td>18.8</td>
<td>30.5</td>
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<td>19</td>
<td>(Jinro)</td>
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<td>(Kohap)</td>
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<td>2,521</td>
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<td>50.5</td>
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<td>946</td>
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<td>92.8</td>
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<td>215.8</td>
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<td>(Keopyung)</td>
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<td>513</td>
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<td>354.3</td>
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<td>2,114</td>
<td>432</td>
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<td>26.5</td>
<td>150.4</td>
<td>15.7</td>
<td>36.2</td>
</tr>
<tr>
<td>30</td>
<td>(Shinho)</td>
<td>1,139</td>
<td>1,210</td>
<td>362</td>
<td>214.6</td>
<td>16.9</td>
<td>300.1</td>
<td>9.9</td>
<td>23.3</td>
</tr>
<tr>
<td><strong>Top 30 average</strong></td>
<td><strong>27</strong></td>
<td><strong>11,159</strong></td>
<td><strong>11,684</strong></td>
<td><strong>2,328</strong></td>
<td><strong>600.7</strong></td>
<td><strong>21.2</strong></td>
<td><strong>173.5</strong></td>
<td><strong>8.5</strong></td>
<td><strong>33.7</strong></td>
</tr>
</tbody>
</table>

**Sources:**
1) Fair Trade Commission of Korea. 2) Credit Information Service of Korea.

* Modified on this summary by SJ Chang (2003).

**Comments:**
1) Companies in parentheses either went into direct insolvency or were placed under overall restructure.

2) All business groups, including those not in parenthesis, underwent significant restructure without any exception.
Appendix 4.2.6 (Table)

World Bank Monitor of Capital Flow to Developing Countries 1990-1999
(World Development Indicators 2001)

(amount in $ billion)

<table>
<thead>
<tr>
<th>Years</th>
<th>Private capital</th>
<th>Foreign direct investment</th>
<th>Bond portfolio investment</th>
<th>Equity portfolio investment</th>
<th>Bank and trade lending</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>19.4</td>
<td>51.1</td>
<td>11.1</td>
<td>56.0</td>
<td>1.2</td>
</tr>
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<td>Europe &amp; Central Asia</td>
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Appendix 4.3.1 (Statistics)

Selective Outstanding Loan Portfolios: BOK ‘D-da.2.2’ ‘C-2’ Longterm) in $ million

Economic Database System of the Bank of Korea (ECOS), viewed 10 November, 2008

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Appendix 4.3.2 (Statistics)

Selected Economic Indicators Korea 1997-2000

Graph 1
Stock Market Index

Graph 2
Exchange Rate

Graph 3
Trade Balance

Graph 4
Reserves

### Appendix 4.3.3 (Statistics): Survey of Religions and Adherents of Korea: 2003

**Number of Declared Participants per Religion**

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Appendix 4.4.1 (Diagram):
Concept of Agency: Korean Business Groups

- 'Dominant' Stakeholder ('Chair'): Principal 1
- Management: (Agency=Principal 2)
- Minority Stakeholders (Principals 3,4,5...n)
Appendix 4.4.2 (Diagram)
Mechanism of Inheritance of Chairpersonship: Internal Transfers of Equities

Appendix 5.1 Invitation Letter

Attachment 1: Letter of Invitation to Focus Group Discussions

Date, 2007

<Title>
<Name>
<Position>
<Name of Company>
<Address of the Company>

Invitation to ‘Small Group Discussion’
on the ‘Confucianism and Korean Business Groups’

(Doctorate of Business Administration Research)

Dear

This letter is to invite you to a ‘Small Group Discussion’ on the ‘Confucianism and Korean Business Groups’. Discussions are taking place as a part of my Doctorate of Business Administration research project at the Australian Graduate School of Entrepreneurship of the Swinburne University of Technology, Melbourne, Australia, under the supervision of Professor Chris Christodoulou.

You may kindly note that my interest is in finding the link between the ‘Confucianism and Korean Business Groups.’ The research is based on an overall enquiry that can be broken into the two hypotheses:

(i) ‘if the foundation ethics of Korean business conglomerates derive from Confucianism and their operating principles remain anchored at the Confucian humanism’, and
(ii) ‘whether Confucian humanism remains central to Korean business conglomerates as the key determinant of their global strategies and the underpinning of corporate governance.’

Discussion groups will take place in Korea and Australia representing five business groups across five functional areas; 1) strategic planning, 2) global network managers, 3) research and development, 4) enterprise union representatives, 5) investor relations.

The discussion group will meet at a major international business hub in a neutral location that is convenient for the 5 senior managers of your functional area who agree to take part in this research. The discussion is estimated to take about two hours in a quiet and comfortable place in a convenient location.

Informal unstructured discussions will focus on the questions given in the attached ‘Focus Group Discussion Guide’.

The researcher will remove any possible personal or company identifiers from the stenographic transcripts. You will then be sent the edited transcript to for your approval. This is to ensure the accuracy of the transcript and to provide assurance that no privacy has been breached and there is no risk to persons or companies evident. Transcripts will be coded for research document management purposes only.

Please also be advised that the themes of the discussion will be aggregated and no names of research participants or their companies will be used in the thesis to ensure anonymity is preserved. Data will be stored in accordance with the Swinburne Policy on the Conduct of Research.

On completion of the research, the ‘executive summary’ of any research findings will be provided to you.
Participation in this research is entirely voluntary. If you agree to participate you may withdraw at any time.

If you have any questions please feel free to contact me at:
   Email: calvin.lee@rmit.edu.au
   Phone +61(3) 9326 9906, Fax +61(3) 9325 3049

If you have any concerns or complaints about the conduct of this project, you can contact:
Research Ethics Officer
Office of Research & Graduate Studies,
Swinburne University of Technology,
P O Box 218,
Hawthorn VIC 3122, AUSTRALIA
Tel (03) 9214 5218 (or +61 3 9214 5218)
resethics@swin.edu.au

Thank you for your kind consideration, and I look forward to keeping in touch with you again through phone or email to fix the date and venue of your convenience.

Yours sincerely,

Calvin Chong Kun Lee
Candidate
Doctorate of Business Administration (DBA)
Australian Graduate School of Entrepreneurship
Swinburne University of Technology

Email: calvin.lee@rmit.edu.au
Phone +61(3) 9326 9906, Fax +61(3) 9325 3049

Chris Christodoulou, Professor (PhD)
Supervisor for the Candidate
Australian Graduate School of Entrepreneurship
Swinburne University of Technology

Email: cchristodoulou@groupwise.swin.edu.au
Tel No: +61 3 9214 5863 Fax: +61 3 9214 8381
AGSE 313, AGSE Building
Cnr Wakefield and William Streets
Hawthorn, VIC 3122, Australia
CONFIDENTIALITY AGREEMENT

DATE

BETWEEN:
Name: ……………………………………………………………………………………………
Of: …………………………………………………………………………………………….

AND
Calvin Chong Kun Lee
DBA student, under the supervision of Professor Chris Christodoulou,
of Australian Graduate School of Entrepreneurship
Swinburne University of Technology, Melbourne, Australia

1 Under this agreement:

1.1 Any party may act as a Disclosing Party or as a Recipient and this agreement defines obligations of
the respective Recipient.

1.2 "Confidential Information" means confidential technical, scientific, commercial or other information of
the Disclosing Party or its related entities in whatever form received by the Recipient in connection with
the Specified Purpose but does not include information which is in the public domain at the date of this
agreement or comes into the public domain after the date of this agreement.

1.3 “Disclosing Party” means the party disclosing Confidential Information to another party.

1.4 “Recipient” means a party receiving Confidential Information from another party.

1.5 “Specified Purpose”
The exchange of information and ideas between the parties at their meeting on [insert the date]
at a focus group discussion for a DBA research project.

2 The Recipient must not:

2.1 use the Confidential Information except for the Specified Purpose or as otherwise authorised by the
Disclosing Party; nor

2.2 disclose or reproduce the Confidential Information except:
   (a) as necessary for the Specified Purpose; (b) as required by law; or (c) as permitted by the Disclosing
   Party;

3 The Recipient must maintain effective security measures to protect all Confidential Information from
unauthorised access, use, copying and disclosure.

4 The Recipient must ensure that its related entities, officers, employees, agents, contractors, advisers
and representatives do not make unauthorised use or disclosure of the Confidential Information.

5 The Recipient must, on the request of the Disclosing Party, deliver up or (at the Disclosing Party’s
election) destroy all of the Confidential Information in its possession.

6 The Recipient indemnifies the Disclosing Party and the Disclosing Party's related entities against all losses, damages, liabilities, costs (including legal costs), expenses, claims, remedies, matters or actions as a result of or arising out of any breach of any obligation of the Recipient under this Agreement.

7 This document may only be varied or replaced by a document duly executed by the parties.

8 This document is governed by the laws of in Victoria, Australia.

SIGNED SEALED AND DELIVERED for and on behalf of SWINBURNE UNIVERSITY OF TECHNOLOGY

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in the presence of:

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### Appendix 5.2: Discussants

**Five Business Groups and Acronyms of Discussants from Five Functional Areas**

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<td>DSP</td>
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<td>HRD</td>
<td>LRD</td>
<td>KRD</td>
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<td>HLR</td>
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# Appendix 6: Chronology

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<td>(most accepted dates: 372–289 B.C.E.)</td>
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<td>1342-1398</td>
<td>Ch'ong Toj'on (Ming dynasty)</td>
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<td>1472-1529</td>
<td>Yi Hwang, T'oegye (Later Neo-Confucians)</td>
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<td>1536-1584</td>
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<td>1637-1692</td>
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