

SOUTH KOREA BUSINESS CULTURE REPORT

This report is designed to support and complement existing cultural information available through the UKTI posts in South Korea (see www.uktradeinvest.gov.uk). It adds value in that it provides evidence and information from discussions and interviews with those 'out there in the field' with regard to South Korean business culture. Its primary purpose is to help better prepare UK businesses for approaching the Korean market for the first time. For the remainder of this report, South Korea shall be referred to simply as 'Korea'.



The information contained in this report is based on a number of sources, including the UKTI Korea culture workshop in Oct 2007 in Histon, discussions with business support agencies in Korea, information from the UKTI South Korea pod cast, and a visit by project staff to South Korea in September 2007.

The report focuses solely on Korean language and business culture, and has been written in an informal style to reflect the comments made by those we met. To provide a range of views and establish consistency, we have cross-referenced comments from a number of sources as identified above. As a first port of call we would recommend the UKTI post in Seoul (www.uk.or.kr). Some information has also been extracted from the publicly-available culture notes by the organisations Kwintessential and Communicaid. Specific thanks go to Gary Soper of UKTI, Joe Day of the BCK and Market Entry Services, Alan Timblich of KOTRA and Dr Soo Kil Lee.

The report addresses 5 main questions. These questions are those raised by UKTI clients we have talked to. They are followed by a description of related UKTI support programmes and what have come in Korea to be known as the "11 Commandments".

1. What are the initial impressions companies have of Korea when they first visit?
2. How closely does Korean business culture resemble that of Japan or China (some of our clients considering Korea also have experience of either Japan or China) ?
3. What are the main negotiating styles used?
4. What about the language?

5. What about the intricacies or formalities of greeting and social graces?

1. *What are the initial impressions companies have of Korea when they first visit?*

Korea is keen to reduce its dependence on the USA and Japan. There is a strong historic rivalry with China and Japan. At the time of writing Korea is number 1 worldwide in terms of high-speed internet penetration. Businesses in Seoul tend to be more westernised than elsewhere, but there are few regional differences within the larger cities (due partly to the size of the country), although provincial offices are much less westernised. Almost 50% of the population live in the greater Seoul and Geon-gi Do area, and the mountainous nature of the country limits the amount of land available for urban use, hence the concentrations of high population. The Korean government, however, is pursuing a policy of 'balanced development' that encourages investment into the more underdeveloped areas of the South West. The standard of living is fairly consistent across the country.



The people of Korea share a common pride in the country's unique cultural and linguistic heritage that has emerged during her long and turbulent history. As a result, Korea boasts an enriched cultural outlook that is still strongly reflected in its current business culture. It is a safe and welcoming society. South Koreans refer to Korea as 'Hanguk', whilst North Koreans refer to Korea as 'Choson' (after the dynasty which reigned from 1392 to 1910).



They are a very success-driven people and can be perceived as quite abrupt and impatient, but this can mean that there is also a drive for efficiency. Trust on a personal level is seen to be very important. UKTI has labelled South Korea as a high growth market, although the economy has been mature for some time, and it counts amongst one of the more advanced economies of the world. The term 'emerging market' has been

applied to Korea in the recent past as some sectors such as financial services and telecommunications are emerging sectors.

It is interesting to note that although entertaining for friendship is effective, friendship as in the West takes time to develop. Bureaucracy is still an issue, but over the last 10 years there has been a concerted effort to reduce this and to make Korea a much more business-friendly environment. Surprisingly,

however, many higher ranking bureaucrats have little international experience. It would be good to have a Korean mentor to help you through the documentation and permits. Koreans are competent administrators. The civil service is modern in terms of the education and training of its staff, yet it retains huge power. The influence of Western business in recent years has led to greater recognition of concepts such as management by objectives & performance-related pay. Koreans remain loyal friends, and this manifests itself also in business.



Structure and hierarchy in Korean companies: Korea is known for its vertical social structure based on age and social status. The organisational arrangement of Korean companies is highly centralised, with authority concentrated in senior levels. High-ranking individuals tend to have more power over their subordinates than in the West. Personal ties in Korea, such as kinship, schools, birthplaces, university & military service often take precedence over job seniority, rank or other factors, and have significant influence over the structure and management of Korean companies. Korean friends in business may feel obliged to assist each other, and this obligation can sometimes come over as somewhat corrupt, although it is not considered so in the Korean business culture.

Other brief first impressions: street signs are not always evident. Everywhere generally appears clean and tidy. Koreans can appear loud and effusive at times. They are exceptionally polite to business visitors. Taxis are good value for money, and many have a free interpreting service, where an interpreter is accessed via the taxi's telephone.

If you have free time, visits to the Korean Folk Village near Sowun (south of Seoul) and the DMZ on the border with North Korea are worth undertaking. The Bukhansan National Park is also near to Seoul.

2. How closely does Korean business culture resemble that of Japan or China?

Koreans do not like to be compared to the Japanese. There are still bitter memories of wartime occupation amongst the older generation. Nevertheless, there are similarities with many elements of Japanese negotiating style (see below), although Koreans are comparatively more open than the Japanese. In the earlier part of the 20th century Koreans were forced to adopt Japanese names and abandon the Korean language in favour of Japanese.

Many of the traits found in Japanese business culture can be found in the 'Japan Culture Report' available on www.rln-east.com/culture. Fewer

similarities are to be found with Chinese business culture. However, my impression of doing business in South Korea is that it is sufficiently different from China and Japan, and that these differences should be recognized.

3. What are the main negotiating styles used?

Personal relationships - In Korea, personal relations take precedence over business. Korean business culture is firmly grounded in respectful rapport. Koreans spend a significant amount of time developing and fostering personal contacts. Therefore, time should be allocated for this process, particularly during the first meeting, which is frequently used to simply begin the process of establishing rapport and building trust.

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



Equally, drawing from Confucian beliefs, the term 'inhwa' signifies the Korean approach to harmony. Koreans will often reply with a positive answer and show reluctance to give direct refusals. In Korean business culture this manifests itself in an innate sense of loyalty, employee obedience and courteous and formal behaviour. Koreans will generally be loyal business partners and value longer-term relationships.



Before doing business in Korea prior appointments are required and should generally be made a few weeks in advance. The most suitable times to arrange a business meeting are normally between 10am and 12pm or 2pm and 4pm. For both social occasions and business meetings, punctuality is essential. Your Korean counterparts will expect you to arrive on time as a sign of respect; traffic in the southern parts of Seoul has become notorious

and punctuality is becoming less rigid, however it is advised to call beforehand if you will be delayed. Decision making in Korea will follow a formal procedure in which senior approval is necessary.

It will usually be clear in a meeting who the senior decision maker is. Junior staff may possess more knowledge of the issues in hand, so it is important to engage with them as well. They may not offer an opinion, however, until the senior member of staff has passed judgment. We would advise that you develop multi-level contacts.

It is recommended that you send a summary of any proposals, company brochures, and marketing material, written in both Korean and English, as a preview for your Korean contacts before you visit the country. It is useful to send a copy of the CV or other credentials of the individual leading your team and of any specialist staff, as this will indicate the competencies of your side.



Generally speaking, responsibility is delegated to trusted, dependable subordinates by their superiors. Therefore, it is imperative not to offend or ignore the lower ranks and to show the various managers the same respect as other senior levels. It is important that you understand the seniority ranking of this key subordinate. In some cases (s)he may be involved largely because of his/her language capability, and his/her influence can sometimes be limited. Age is the most essential component within a relationship in Korea, and a person older than you automatically holds a certain level of superiority.



Although many Koreans now appreciate the legal implications regarding the signing of contracts, they may still be interpreted as less important than the interpersonal relationship established between the two companies. It is vital that you are aware of how your Korean counterparts view these documents in order to avoid any possible misunderstandings. Koreans treat legal documents as memorandums of understanding. They view contracts as loosely structured consensus statements that broadly define agreement and leave room for flexibility and adjustment as needed.

However beware that they are fully capable of enforcing the price terms of a contract when that is in their favour. They are extremely direct communicators, and in spite of the basic formality of their culture they have a good sense of humour and when entertaining can become raucous. They are not averse to asking questions in negotiation if they do not understand what has been said or need additional clarification. When presentations are being made to a larger group questioning is much less than that used in the

West. Litigation is not as common in Korea as in the UK, and out-of-court settlements and negotiations are a preferred option.

Criticism should always be conducted in private where loss of face will be diminished. In a similar vein, opposing someone directly can also cause a Korean to lose face and should be avoided. Negotiations can often appear initially to be a one-way street. Brinkmanship and a 'wear you down' approach are common tactics. Koreans can be deal-orientated.

In terms of market entry, you will need to do thorough research, and double-check (if not triple-check) your understanding of what has been agreed. A good local agent is indispensable.

4. What about the language?

Amongst middle management and the younger generation English is quite widely spoken, but as soon as you get into the boardroom or in meetings with the older generation English is spoken less. It is a good gesture to learn a few words of Korean, and it shows that you are making an effort. Even experienced Western Korean speakers usually use an interpreter in negotiation.



It is important to translate literature and other promotional material (including key website information) into Korean. Although many distributors deal with foreign suppliers, it is useful to have a Korean interpreter on hand. The positive impression you will make by learning to speak a few basic Korean phrases cannot be overestimated. A guide to how to best use an interpreter can be found on the UKTI international communications website

page <http://www.rln-east.com/resources/how-to-guides.asp>.

The Korean language has imported many words from China, and uses some Chinese characters (hanja) to indicate some names and official titles. Most Korean words are written in 'han-geul', the alphabet developed under King Sejong's reign in the 15th century. It is based on phonetics and consists of only 24 characters to create syllables. For example, the first syllable of the word 'han-geul' consists of a pictorial combination of an 'h' and 'a' on the top and an 'n' on the bottom.

Remember that an individual to whom you are talking may understand more than (s)he can say in English, and the issue of saving face may restrain them from speaking in English unless they are confident of their accuracy. The Korean language reflects the level of respect of the person who is being spoken to.

Financial support for Korean language training in the East of England is available via the LCIT (Language & Culture for International Trade) programme, which provides a sliding scale of match funding (50% over 24hrs for 5 staff or more down to 50% for 10hrs for 2 staff). For more details see www.rln-east.com/funding and www.rln-east.com/lcit.

5. What about the intricacies or formalities of greeting and social graces?

Business cards are extremely important. They are scrutinized carefully, and that scrutiny is a sign of respect. It would be advantageous to have them printed in Korean on one side and English on the other.

The exchange of business cards in Korea is vital for initiating introductions. Korean's prefer to know the person they are dealing with. Therefore, it is important to emphasise your title so that the correct authority, status, and rank is established. Cards should be presented and accepted with both hands and must be read and studied with respect and consideration before placing them on the table.



Gift-giving is a common practice within Korean business settings. Generally given at the first business meeting, gifts are often used to acquire favours and build relationships. You should allow the host to present his gift first and be sure to accept the gift with both hands. To avoid loss of face, gifts of similar value should be exchanged and gifts of greater value should be given to the most senior person respectively. The number 4 is similar to the word for 'death' so try where possible to avoid gifts involving the number 4.



Today, it is quite common for Koreans to shake hands with foreign colleagues after a bow, encompassing both cultural styles. To show respect during handshaking, you should ensure that you support your right forearm with the left hand. When departing, a bow is usually sufficient.

Don't address a Korean by his or her given name as it is considered extremely impolite.

Korean names begin with the family name and are followed by a two-part given name. You should address your Korean counterparts using the family name followed by the appropriate title (such as Kim *sa chang*) until specifically invited to do otherwise. The term 'manager' can mean different things in Korea. The term 'nim' after a surname and title conveys respect,

e.g. 'Chung jang nim' is a polite way of saying 'team leader Chung'. Otherwise where a title is unknown, the word 'shi' means Mr or Mrs.

Greetings follow strict rules of protocol. Many South Koreans shake hands with expatriates after the bow, thereby blending both cultural styles. The person of lower status bows to the person of higher status, yet it is the most senior person who initiates the handshake. The person who initiates the bow says, "man-na-suh pan-gap-sumnida", which means "pleased to meet you." Information about the other person will be given to the person they are being introduced to in advance of the actual meeting. Wait to be introduced at a social gathering. When you leave a social gathering, say good-bye and bow to each person individually.

In terms of table manners, the oldest or most senior person is the one who starts the eating process. Do not point your chopsticks nor pierce your food with them. Chopsticks should be returned to the table after every few bites and when you drink or stop to speak. Do not cross your chopsticks when putting them on the chopstick rest. Bones and shells should be put on the table or an extra plate. Refuse the first offer of second helpings. Indicate you are finished eating by placing your chopsticks on the chopstick rest or on the table. Never place them parallel across your rice bowl.



Karaoke is another popular pastime. Tipping is not common, unless an individual has performed an exceptional service for (e.g.) a function. After protracted or difficult negotiations you may be invited to share in a hot bath, although this is not common during first contact.

UKTI and Other Support:

Useful contacts in Seoul are UKTI at the British Embassy in Seoul (for trade from the UK and investment into the UK), KOTRA (for inward investment into Korea, and these also have an office in London, see www.kotra.or.kr), and the British Chamber of Commerce in Korea.

The Export Communications Review (ECR) is a heavily subsidised UKTI scheme which aims to assess your company's international communications capability and generates an action plan. It covers areas such as communications planning, translation of literature, website localization, language and culture skills, and use of interpreters. Further details, including a sample ECR and link to the online application form, can be found on www.rln-east.com/ecr.

We also recommend that you undertake the (again subsidised) Online Market Introduction Service (OMIS) through which UKTI colleagues at the British Embassy in Korea can undertake informed market research and establish appropriate personal introductions to potential contacts in the market. As such, it is often the first port of call for selling into Korea.

The 11 Commandments



A small group of expatriate and Korean business people have put together their combined wisdom on the top tips for doing business with the Koreans, and these are summarised in Tom Coyner's and Song-Hyon Jang's book "Mastering Business in Korea" (ISBN: 978-89-91913-16-5). Courtesy of the UKTI post in Seoul, here is a summary of the "11 Commandments", as they have come to be known. Further useful reading can be found in the book "Korean Business Etiquette" by Boyé Lafayette de Mente (ISBN: 0-8048-3582-9). Chapter 4, entitled "Vocabulary of the Korean Way," provides an excellent introduction to key Korean business concepts.

I. Thou shall always have a formal introduction

If you are a Korean, it is most important and advisable to have a formal introduction to any person or company with whom you want to do business. Meeting the right people in a company almost always depends on having the right introduction. Whenever possible, obtain introductions rather than make contacts directly or just pop in on a businessman. Use of the proper intermediary or go-between is desirable in your business meetings. If the person whom you wish to meet has respect for your intermediary, chances are he will have equal respect for you, too.

II. Thou shall not be without business cards

In Korea, every person has a distinctive place in an organizational hierarchy. A businessman is not comfortable until he knows what company and what position the person he has just met is from. Therefore, the exchange of business cards in Korea is very important which is a formal affair and plays a very important role in introductions. Have calling cards made prior to visiting companies and keep plenty on hand at all occasions. Exchange your card with the other person's taking a moment to closely examine the person's name, title, etc. as a way of showing you hold the other party in



respect. Exchange cards with both or your right hand – never with your left hand. Do not quickly place the card into your pocket. After the exchange, you may place the cards on the table in front of you as you proceed with the meeting, using them for further reference.

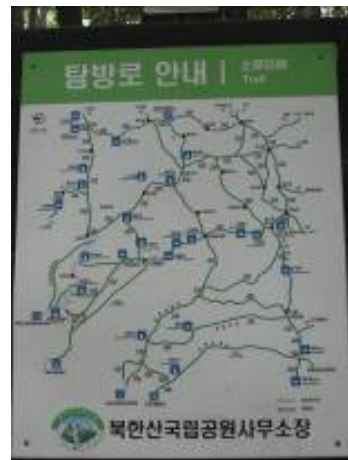
III. Thou shall not assume everything you say in English is completely understood



Remember that the real level of comprehension of many English-speaking businessmen may not be as good as their courtesy implies. Their perception can be, and often is, surprisingly remote from what you think you are getting across to them. Cultural barriers are sometimes bigger than they may appear on the surface. Take pains to emphasize and repeat your key points for their understanding. Try speaking in short, grammatically correct sentences using simple vocabulary. Out of consideration of "face," often Koreans will not admit they are not following your explanation. Sometimes it is a good idea to ask questions to verify the other person's understanding while taking care not to embarrass the other person in front of others. Try diagramming your points rather than simply using English. Exchanging notes after meetings is very helpful for this purpose.

IV. Thou shall restrain pushing your position too hard

Korean businessmen internationally are believed to be good negotiators. Be prepared to be patient, gentle but firm, and as dignified as possible at a negotiating table. Do not try to push your position too hard. Sensitive issues and details may be skipped for future discussions, preferable by a go-between or by your staff, if available. Use of go-betweens can be very valuable especially in delicate dealings where financial negotiations are involved. Allow sufficient time for your counterparts. Their decisions are usually made collectively and often require more time than you may expect. Often the real decision-maker is not at the negotiating table in spite of your negotiating partner's business title suggesting otherwise.



V. Thou shall build human relationships

Legal documents are not as important as human rapport and relationships. Koreans do not like detailed contracts. They prefer, and often insist, that contracts be left flexible enough that adjustments can be made to fit changing circumstances. Therefore, it is very important to develop and foster

good relationships based on mutual trust and benefit in addition to the business contract. To a Korean businessman, the important thing about a contract is not so much what is stipulated but rather who signed it and the fact that it exists. Do not be surprised that your business partner immediately asks for exceptions to a recently signed contract due to unforeseen business circumstances. This is normal business but, of course, it takes sound as well as flexible judgment to decide when to say "yes" and when to say "no."

VI. Thou shall respect your partner



Koreans are extremely sensitive people. Never cause them to "lose face" by putting them in a difficult position. On the contrary, offer praise on your partner's business successes. Their state of good feelings or *kibun* can do wonders far beyond your expectations. And, of course, you benefit from the good mood created. At the same time, be aware there are smooth "foreigner handlers" who flatter by insisting that you

"understand Korea better than other foreigners" and therefore you can see beyond sound business logic thanks to your "cultural insight."

VII. Thou shall entertain and be entertained

Entertainment plays an important role in any business relationship. When offered, it should always be accepted, and in some way reciprocated in due time. Parties are often like drinking competitions. Your capacity of alcohol consumption may be one of the deciding factors that can lead to a successful business negotiation and relationship. You may be expected to get intoxicated but you have the right to politely hold the line. Legitimate reasons for drinking little or none include personal health conditions and religious beliefs. At the same time, symbolic or token drinking can be done as a substitute when accompanied by a positive and friendly attitude.



The giving of small gifts is also an accepted practice and is recommended. Golf is a popular form of entertainment. Join the game as often as possible.

VIII. Thou shall try to know your counterpart

Try to personalize all business relationships. An informal agreement with a trusted party can be considered far more secure than any written document. Try to find out as much about your counterparts as possible: their family status, hobbies, philosophies, birthdays, etc. Try balancing your social life with regular activities with Koreans and not simply people of your own or similar cultures. Even if you cannot speak Korean, there are a number of

groups largely comprised of Koreans who are bilingual such as churches, civic organizations and special interest clubs. Even if these extracurricular activities have no direct impact on your business, you can gain invaluable insights into the Korean mind by active participation. Furthermore, since Korea is a tight-knit society, what may begin as an association for non-business reasons may evolve over time into important introductions to others important to your future business.

IX. Thou shall temper the use of Western logic



Do not try to appeal too much to Western logic, but try instead to find "emotional common denominators." Feelings and "face" are often far more important in local business dealings. A willingness to compromise without giving up your core values is an invaluable skill anywhere but it is an ability that will serve you particularly well in Korea. Spend some time in reading up on Confucianism. Then observe and inquire on

how it operates about you in your workplace and elsewhere. The sooner you do this the more natural it will be in finding an appropriate point of making compromises and knowing where to draw the line between Korean and Western logic.

X. Thou shall keep fully informed

Be aware of the fact that many changes are taking place at an unprecedented pace in current society. With increasing affluence and the development of mass communication, the lifestyle of Korean consumers is changing rapidly. Changes in their fashions, diet habits, housing and mobility are so fast and profound that one has to take extreme care to have a proper grasp of the market. Accurate market research and other advice concerning



future trends are a prerequisite for success in this ever-changing land. Remember: Korea is a world leader in the common use of broadband Internet communications and consequently events and trends often change at "Internet speed." Be particularly aware how heavily younger people use their multifunction cell phones beyond simply making phone calls as this crowd can easily outpace even their "wired" Internet counterparts.

XI. Thou shall recognize foreigners are different from Koreans

While the first Ten Commandments definitely apply to Koreans, foreigners are placed involuntarily on a different plane than other business people. While this can work against the foreigner, it can often be an advantage. This is not to say, one should discount the first Ten Commandments, but it does mean a foreigner has a bit more wiggle room than his Korean peer.



For example, as a visitor or short-timer, one may not have the needed contacts as a Korean may have cultivated. Does this necessarily mean you must find a Korean partner – even if you are working within a short time schedule? The simple answer is “no.” Ideally you should have someone on your side that can help grease the introductions to key people. But turning a negative into a positive – being the “dumb

foreigner who knows no better” – can often work, particularly if you are new to Korea.

However, newbie or “old Korea hand” going solo or in tandem with a Korean partner, some things remain the same. Preparation is key as in all good business. Before making your first move, it is essential to do your homework on your industry in Korea, including knowing who the players are and who has been successful and unsuccessful – and why. Your presentation needs to anticipate who will be in the audience and what they wish to know. You need to seriously consider what to expect of your meetings and presentations ahead of time to be at least mentally prepared. You should have a readied portfolio of relevant detailed information on hand so you can deliver it on demand (but do not volunteer it unless it is truly necessary!)



In any case, with care and patience, foreign business professionals – including those who speak no Korean – can *and have* made it on their own through the front door to get to the key person. Furthermore, mature and well-prepared professionals have walked away with major contracts. This may not be the easiest way to do business in Korea, but out of necessity has come unconventional paths to success.

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