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[Field Research]

## Business Ethics, Countermeasures, and Transnational Trends: A Focus on Distribution Corporations

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### Abstract

**Purpose** – This study aims to eradicate and halt the continuous life cycle of corruption. Only when ethical management policies are implemented can the business ethics system be effective and transparent.

**Research design, data, and methodology** – The analyses and legislative measures designed by these organizations and countries were based on solid research, uncovered during my visits and interviews conducted with businessmen in those countries.

**Results** – The main focus of in this study is as follows: First, to introduce the programs of UN, OECD, OAS, USA, and Asian countries noted for business ethics and transparency policies; Second, to define each function and problem of these countries' anti-corruption systems, including the U.S. federal government, and to examine Chinese trends.

**Conclusions** – Ethical managements are necessary to improve business ethics. This study suggests four related areas for the purpose of discouraging bribery and corruption; these are improving global corporate governance standards, increasing financial transparency, improving good governance in the public service of the OECD member countries, and focusing on not only the supply side but also the demand side of the corruption market.

**Keywords:** Business Ethics, Distribution Corporation, United Nations Convention, Transparency Systems, Ethical Management Countermeasures.

**JEL Classifications:** F51, M14, M38.

### 1. Introduction

Corruption is not just a fact of life, it is also a worldwide phenomenon. In recent years, it has reached unprecedented

levels. As recent events have demonstrated, no matter how rich or powerful, no country can claim to be totally immune from the ravages that corruption wreaks. As a matter of fact, corruption is an obstacle to development and social stability all over the world. So many countries are trying to combat corruption which emphasize collaboration, cooperation, and information. As a matter of fact, corruption is an invisible factor that indicates their parts of competitive power on corruption index rank. The problem of corruption was a domestic issue in the past. Therefore, a lot of countries in the world tried to solve the problem of corruption. International pressures on corruption hamper freedom or threaten international competitiveness are considerable. Moreover, corruption often transcends the national level. Accordingly, combating corruption is often beyond the reach of national governments alone. Working closely with a growing number of international organizations now starting to address the issue, let us play a catalytic role in defining and implementing the international agenda against corruption.

For example, corruption in Korea is a incurable bad tradition, without which social success would be almost impossible. What is called 'a culture of corruption' dominates the everyday lives and the minds of the public. That is why in order to combat corruption we need to reform consciousness as well as rejuvenate institutions. Successful models of anti-corruption should be considered too. Corruption in Korea even acted as a foundation for the public servants and lubricant for economic development. Korean officials have remained complacent in the culture of corruption under the regimes lacking in legitimacy for a long time. Unless we reduce corruption from our global society, even the basic frameworks of our nation may be threatened, let alone strengthening of our competitiveness. Most importantly, a long term method and suitable plan should be implemented (Han et al., 2014; Mushtaq et al., 2014). Korean corruption originated and worsened in the unique conditions of Korean bureaucratic administration. If we address the issue of corruption in Korea with such characteristics in mind, the anti-corruption policies will be of more of relevance to the local situation. Research on anti-corruption here in Korea has been rather superficial and abstract thus far. There was no accurate understanding of structures and causes of corruption, which is why the resulting policy

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lacked the feasibility. Thus, the anti-corruption measures in Korea should be performed in a systematic perspective with a comprehensive grasp of how the corruption emerges and develops. It must penetrate and halt the continuous life cycle of the corruption. Only when the ethical management policies are implemented in this a way can the business ethics system be effective and transparent(Kim, 2014).

## 2. Precedent Studies

### 2.1. Literature review

Many institutions, books and article emphasized that business ethics and anti corruption issues. Especially OECD, ACRC, FKI were treated its(OECD, 2000; ACRC, 2004). Other scholar also analysed. Ofori-Amaah(1999) stressed that the aim of the CTC was to prepare for adoption by the UN a Code of Conduct on Transnational Corporations, which would offer credible assurances to both host countries and home countries in the treatment of various issues, such as tax and foreign required in international transactions.-the problem of corrupt practices.

### 2.2. Methodology

In this paper, I focus on how to combat corruption and institutionalize global trends and analyze methods of regional and transnational collaboration. I also attempt to cast light on corruption from many different viewpoints. Focusing on the whole world, it mainly deals with anti-corruption infrastructures and preventive systems. The author visited and conducted interviews with personnel from the UN, OECD, OAS, U.S. Office of Government Ethics in the USA(OGE), china and Korean distribution corporations. The legislative contents and research data were analyzed. Key points the author emphasizes are as follows:

First, to introduce the cases of the UN and OECD that were noted for their successful stories of combating corruption;

Second, to analyze each role of OGE in USA, and China to scrutinize their problems;

Third, to understand the current situation of Korean distribution corporations and to suggest possible countermeasures, focusing on the Anti Corruption Rights Commission System in Korea. This research approaches the anti-corruption systems in Korea generally and provides a theoretical foundation for building ethical business in Korean corporations society and for recovering the public trust.

## 3. Trends of Anti-Corruption in International Society

As for the theories on corruption, there was a functionalist perspective in the 1960's, which regarded the corruption as inevitable outcome of economic and social development. In the eyes of a functionalist, the corruption is a necessary evil. In the

meantime, a post-functionalist in the 1970's saw it as universal all over the countries in the world. Especially since the 1980's there has been an integrative theory which combines these two perspectives. It argued the corruption is more likely to happen in the underdeveloped countries(Kim, 1996).

In the 1990's, with the breakdown of the Socialist states such as the Soviet Union and Eastern European countries, the corruption was interpreted as a cause for their collapse. Also many people are of the opinion that Asia's financial crisis of 1997 was attributable to the structural weakness of the economy as well as widespread corruption. As the corruption emerged as a nationwide obstacle in many countries they sought for new preventive systems for anti-corruption. Recently, the role of international society as a catalyst for fighting corruption and mobilizing pressure on countries to adopt policy making and agenda cannot be underestimated(Kim, 2010).

### 3.1. United Nations

In 1974, the Economic and Social Council of the UN established an intergovernmental subsidiary body, the Commission on Transnational Corporations (CTC), with the objective of furthering a better understanding of the nature transnational corporations and their political, legal, and economic effects on host and home countries. The aim of the CTC was to prepare for adoption by the UN a Code of Conduct on Transnational Corporations, which would offer credible assurances to both host countries and home countries in the treatment of various issues, such as tax and foreign required in international transactions.-the problem of corrupt practices(Ofori-Amaah, 1999).

This exercise was to be carried out by the Ad Hoc Intergovernmental Working Group on the problem of Corrupt Practices, established in August 1976, and ECOSOC, AFTER General 15, 1075. Its outcome was due to be reflected in an article in the proposed code of conduct. This resolution expressed concern over corrupt practices in the activities of certain transnational corporations and requested ECOSOC to include this in the work of the CTC. The Ad Hoc Intergovernmental Working Group worked with the CTC to produce several drafts on the issue of bribery and corruption and, in Particular, a draft of an international agreement on illegal payments(UN, 1996). The Ad Hoc Working Group was replaced by the Committee on an International Agreement on Illicit Payments, which was established by ECOSOC on August 4,1978.(Economic and Social COUNCIL resolution ,1978) The ECOSOC is currently targeting the abuse of offshore resort for purposes including the preparation and after treatment of bribery(Pieth, 1999) The General Assembly has recently taken note of a study by the United Nations office for Drug Control and Crime Prevention on financial havens(UN, 1996).

The UN confirmed interest in the subject of corruption over the last two decades (after the earlier discussion on illicit payments) culminated on December 16, 1996, with the adoption by the General Assembly of a Declaration against Corruption Bribery(UN, 1996).

As part of this resolution, the General Assembly also adopted an International Code of Conduct for Public Officials. It broadly defines bribery to include all actions deemed to be included in the laws on bribery and corruption in many states (Ofosu-Amaash, 1999). It these practices, including the development or maintenance of accounting standards and practices, as well as appropriate business codes and best practices.

According to the U.N. declaration (Ofosu-Amaash, 1998), bribery includes the offer, promise, or giving of any payment, gift, or other advantage, directly or indirectly, by any private or public corporation, including, transnational corporation, or individual from a state to any public official or elected representative of another country as undue consideration for performing or refraining from The Performance of that officials or representative's duties in connection with an international commercial transaction.

Recently, UN is going to push to combat corruption for high competitiveness. Last year, UN Assembly made an effective legal policy on fight against corruption in the world. And trying to discuss talk over international agreements on anti corruption. UN ex-Secretary-General Kofi Annan told that it is necessary to co-operation standard for the exchange of information, investigation, chasing bribery property. Then, international organization is responsible to these solutions. UN has been help to combat corruption especially, misconduct, misbehavior and confiscated property from bribery. Last 5years ago, UN assembly searched for punishment that it is based on international law on corruption issue and formalized agreement of anti corruption (Klitgaard, 1998).

### 3.2. OECD

Since 1989 the OECD has played a leading role in the battle against international bribery and corruption. The fight gathered momentum in 1999 with the entry into force of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD, 2000). In May of 1994 the Organization for Economic Cooperation and Development (OECD) adopted the recommendation of the Council on Bribery in International Business Transactions. Convinced that bribery in international business transactions has many harmful repercussions and that an effective worldwide policy is best suited to fight against corruption, the OECD member countries have developed different instruments to strengthen integrity and transparency in business operations such as the 1997 Revised Recommendation on Combating Bribery in International Business Transactions. The Convention and its related instruments also recognize the key role of governments in preventing solicitation of bribes and encouraging ethical conduct among public officials. The 1998 Recommendation on Improving Ethical Conduct in the Public Service provides a set of management principles for governments to check their national institutional circumstances. In May of 1996, the Recommendation on Tax Deductibility of Bribes to Foreign Officials, and the Recommendation to Combat Corruption in Aid-Funded Procurement were adopted as to make it possible to define bribery as a crime (Rooke, 1996). In 1997, as major world economies agreed that the corruption also pro-

foundly affects the international economic order, the 1997 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions entered into force in 1999. This stipulates that even individual expression of willingness to commit bribery is a crime and that punishment fine is as twice as the bribery. In 1995 the US-led Ethics Round specified that the corporations who do not practice in accordance with corporate ethics are given punishment in international transactions. It is running the Best Global Practice Program which teaches for improving corporate citizenship.

The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions was adopted in December 1977. The convention obliges parties to adopt wide-ranging rules (ACRC, 2008).

### 3.3. Organization of American States

At the 1994 Miami summit of the Americas, the 34 leaders of the western hemisphere called for negotiating of a hemispheric convention against corruption (U.S. Department of states, 2000). Furthermore, it commits nations to reforming their criminal codes to bring domestic law into compliance with the convention. The OAS (Organization of American States) is also exploring ways to develop a viable monitoring and review mechanism relating to the Inter American Convention (U.S. Department of States, 2003).

One of the landmark expressions of concern and possible action on the issue of corruption was taken by member nations of the OAS in 1996. The Inter-American Convention against corruption was signed by 21 Latin American Countries in March 1996. The United States and Canada signed later the same year (Organization of American States, 1996).

The main objectives of the convention are to promote the development and strengthening of the legal mechanisms in signatory countries to "prevent, detect, punish and eradicate official corruption in both the domestic and international spheres. The convention requires a good deal of cross-border cooperation and calls for strengthening national law. It demands that countries prohibit and punish Transnational bribery subject to their own constitutions and legal system, Under the convention states agree to deny favourable tax treatment for expenditures that violate the anticorruption laws of member states subject to domestic law, signatories may take people into custody whose extradition is sought by another state. The convention is distinctive in including both countries, a number of middle-range countries and several countries in a single region (UN, 1996).

### 3.4. GLOBAL NGOs Efforts

New millennium is the age of NGOs and the civil society will be growing much more. In the global civil society, the NGOs are now playing tremendously important roles and reaching all over the global village. In particular, the issue of corruption is now treated in the international level as well as in the domestic level and can have a critical effect on the international economic relations. Enormous corruption in international community can-

not be overcome only by the institutional approach or one-time punishment, and therefore, the new roles of civil organizations and NGOs are seriously needed.

The World Bank did tackle the traditional corrupt practices of corporations by recommending all the IMF-loaned countries that their corporations should make transparent financial statements, respond to a lawsuit by shareholder groups, stop financial affairs among firms under one group, introduce a system of the audit board and so on. Transparency International (TI) is also one of the most remarkable anti-corruption organizations these days. It was established in 1993 and only for 3 years has gained more than 50 member countries. TI, a Berlin-based international anti-corruption organization, releases its annual Corruption Perception Index (CPI), which suggests passing anti-corruption legislation and the government keeps stressing the need for across-the-board reform measures (Transparency International, 2009).

THE TI Corruption Perceptions Index has become the best known and most widely cited index of corruption. The CPI has been published annually since 1995 and has been reported on in hundreds of newspapers articles in scores of countries, on all continents. It is among the most widely used socio-economic indicators published by any independent NGO and is used by governments and international organizations as well as the media and pressure groups. The BPI measures the levels of the perceptions of bribery in leading exporting countries in 14 emerging markets. It has proven to be a valuable tool in building support for effective enforcement of the new national laws implementing the OECD anti-bribery convention. Over the next few years, TI plans to focus on using empirical data to support and monitor anticorruption efforts. Extending the coverage of the CPI and a new edition of the BPI will be part of this focus. At the moment, there is no international indicator providing credible insight into changing levels of corruption (Transparency International, 2011).

## 4. Anti-Corruption Systems and Efforts

Anti-corruption efforts in U.S., Asia countries are noted for their strict punishment and legal enforcement against corruption. They already have appropriate laws and apply them. Currently Korea has the Law on the Public Servants, the Public Servants in Provinces, and the Public Servants' Ethics. But they are not effectively enforced. In this paper, strong laws and systems of anti-corruption in USA, Hong Kong and Singapore are examined (Kim, 2010).

### 4.1. United States

The battle against international bribery and other forms of public corruption remains a high priority for the United States. Bribery of foreign public officials by business is a extremely damaging type of corruption. Corporate bribery also creates severe foreign policy problems for the United States. The reve-

lation of improper payments invariably tends to embarrass friendly governments, lower the esteem for the United States among the citizens of foreign nations, and lend credence to the suspicions sown by foreign opponents of the United States that American enterprises exert a corrupting influence on the political processes of their nations. For example, in 1976, the Lockheed scandal shock the Government of Japan to its political foundation and gave opponents of close ties between the United States and Japan an effective weapon with which to drive a wedge between the two nations. In another instance, Prince Bernhardt of the Netherlands was forced to resign from his official position as a result of an inquiry into allegations that he received \$1 million in pay-offs from Lockheed. Finally, a strong anti bribery statute would actually help U.S. corporations resist corrupt demands. U.S. companies and workers can compete with the best in the global marketplace because of their drive, innovation, and quality produce and services. However, their success depends heavily on their ability to compete on a level playing field. Bribery and corruption tilt the playing field and create unfair advantages for those willing to engage in unethical or illegal behavior. Corrupt practices penalize companies that play fair and seek to win contracts through the quality and price of their products and services. In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), effectively outlawing offers, promises, and payments by U.S. firms to foreign officials political parties, party officials and candidates to secure business advantage. Since then, the United States has been trying to level the playing field by encouraging other industrialized countries to take similar steps- and these efforts are finally paying off. There has been real progress in building an International coalition to fight bribery and public corruption so that all business may fairly compete in the global market place (U.S. Department of States, 2000).

The FCPA was intended to have and has an enormous impacted on the way American firms do business. Several firms that paid bribes to foreign officials have been the subject of criminal and civil enforcement actions resulting in large fines and suspension and debarment from federal procurement contracting, and their employees and officers have gone to jail. To avoid such consequences, many firms have implemented detailed compliance programs intended to prevent and to detect any improper payments by employees and agents.

Following the passage of the FCPA, the congress became concerned that American companies were operating at a disadvantage compared to foreign companies who routinely paid bribes as business expenses on their taxes. Accordingly, in 1988, the Congress directed the Executive Branch to commerce negotiations in the OECD to obtain the agreement of the United States' major trading partners to enact legislation similar to the FCPA. In 1997, U.S. and thirty-three other countries signed the OECD Convention on Combating Bribery of Foreign Public Officers International Business Transactions. The U.S. ratified this Convention and enacted implementing legislation in 1998. Then, US Government support OECD that should be push to the regulation of anti corruption.

## 4.2. OGE (US Office of Government Ethics)

First of all, US Federal Government efforts for curbing corruption examine as follows: The U.S. office of Government Ethics provides overall policy leadership for executive branch department and agencies in the conduct of their ethics programs. Each department or agency head is responsible for the ethics program in that department or agency and is further required to appoint a Designated Agency Ethics Official, or DAEO, to manage the department or agency ethics program. By interpreting standards of conduct regulations, reviewing financial disclosure statements, and offering continuing ethics training and counseling services, DAEOs and their supporting ethics official ensure that executive branch employees avoid situations that could violate ethics laws and undermine the public's trust in Government. The OGE was established by the Ethics in Government Act of 1978. Originally part of the Office of Personnel Management, OGE became a separate agency on October 1, 1989, through the enactment of the Office of Government Ethics Re-authorization Act of 1988. OGE carries out its leadership role through six major areas. The OGE is responsible for reviewing executive branch ethics programs to assess whether these programs, including financial disclosure systems, training programs, and counseling service components are administered in accordance with the ethics laws and regulations. The OGE evaluates the effectiveness of conflict of interest laws, other related statutes, standards of conduct, and Executive orders and recommends appropriate amendments when necessary.

On, July 25, 2000 the U.S. House of Representatives passed unanimously a bill designed to encourage developing nations to fight corruption at all levels of government and in the private sector by linking U.S. development assistance to a countries' efforts to root out graft, bribery and other unethical practices.

The Bill, known as the International Anti-Corruption and Good Governance Act of 2000, requires the United States Agency for International Development (USAID) to establish programs to combat corruption in those countries that receive substantial U.S. aid that have persisted problems with corruption(OGE, 2014).

## 4.3. China

In the boldest move yet since President Xi Jinping launched his anti-corruption campaign, China has announced the start of a formal investigation into "serious disciplinary violations" by one of the Chinese Communist Party's most senior figures, Zhou Yongkang. Though rumors of Zhou's political demise had been circulating for nearly a year, anyone familiar with Chinese political intrigue knew that, until the CCP made it official, Zhou's many powerful patrons and cronies could still save him. Now it is official: a "mega-tiger" has been brought down. Since taking over the presidency, Xi's actions have been both resolute and contradictory. On one hand, he has been aggressively pursuing "tigers" and "flies" (lower-level officials), while curbing, at least temporarily, the privileges enjoyed by Chinese officials. On the other hand, he has launched an equally ferocious campaign

against political liberalization, arresting and jailing leading human-rights activists and cracking down on China's once-vibrant social media.

The risks of waging a two-front war are obvious. If Xi's fight against corruption is genuine, it will engender fear and resentment among the Chinese bureaucracy(Pei, 2014).

It is of particular concern that China and Russia are at the bottom of the index. Given the increasing global presence of businesses from these countries, bribery and corruption are likely to have a substantial impact on the societies in which they operate and on the ability of companies to compete fairly in these markets.

The economies of China and Russia have grown rapidly in the past decade. While much of the rest of the world continues to suffer from low to no growth, these economies are forecasted to grow by 9.6 per cent and 4.8 per cent respectively in 2011.8 China and Russia's sustained economic growth has implications well beyond their domestic economies, as their international trade and investment flows have also seen dramatic increases. Foreign Direct Investment (FDI) flows alone amounted to US\$120 billion in 2010 for both countries, more than five times the value of FDI outflows from Brazil and India combined.

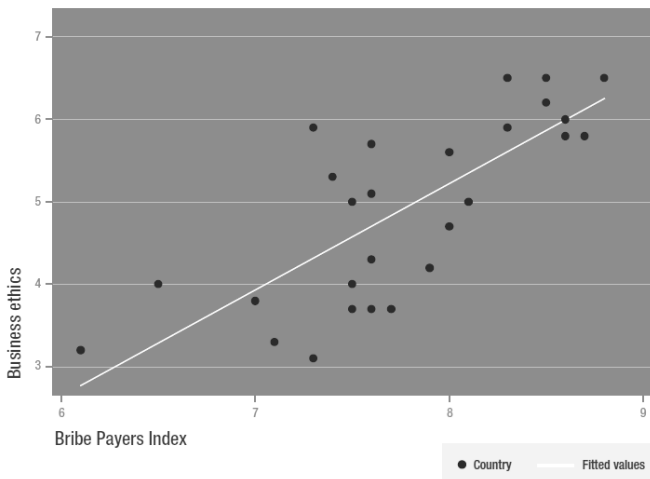
The countries at the receiving end of Chinese and Russian investment feel the effects not just of the financial flows, but also of the associated business operations and activities. For example, Russian companies are becoming increasingly present in the international oil and gas sector and China is investing heavily in infrastructure and mining, particularly in Africa. Earlier this year, China's National People's Congress, the country's parliament, passed the eighth amendment to the Criminal Law of the People's Republic of China. The amendment, which took effect on 1 May 2011, makes it a criminal offence for Chinese companies and nationals to bribe foreign government officials. Individuals may face criminal detention of between three and 10 years, while companies may receive fines, and managers directly responsible for an offence may also face criminal detention of up to 10 years. Previously, the country's anti-corruption laws had no extra-territorial element; it was only a criminal offence to bribe Chinese government officials. The new law applies to companies organised under Chinese law, which include international companies' representative offices, joint ventures and wholly foreign-owned enterprises in China, as well as Chinese companies overseas.

## 5. Efforts to Fight Against Corporate Corruption in Korea

The business ethics is said to be principle and/or guide of management behavior and/or decision-making concerning judgment standards and/or moral values that can distinguish goodness and wrongness or rightness and wrongness of attitudes and behavior under situation of business administration(Yoon & Kim, 2014). High standards of corporate integrity are essential to reducing foreign bribery. These standards require leadership

and employee commitment to a business culture that does not tolerate bribery or corruption. In turn, this culture of integrity needs to be supported by anti-corruption policies and procedures that are implemented effectively and communicated to all stakeholders. In other words, the rejection of bribery and corruption as a means to do business must be an integral part of a company's broader business integrity approach.

The business ethics keeps business ethics of all of activities to put them into practice based on trust of stakeholder and customers (Yoon & Kim, 2014). The relationship between business integrity and foreign bribery is supported by empirical evidence. The assessment of the ethical behaviour of companies from a given country, as captured by the World Economic Forum's Executive Opinion Survey, correlates strongly with perceptions of foreign bribery from that country (see Figure 1). Companies from countries where corporate ethics are seen as strongly entrenched are perceived to be less likely to engage in foreign bribery.



Source: Transparency International(2011)

<Figure 1> Business ethics and foreign bribery

Graph plots 2011 Bribe Payers Index scores (on a scale of 0-10, where a maximum score of 10 corresponds with the view that companies from that country never bribe abroad and a 0 corresponds with the view that they always do) against data from the 2010/2011 World Economic Forum's Executive Opinion Survey<sup>4</sup> on the following question:

(On a scale of 1-7, where 1 means among the worst in the world and 7 means among the best) 'How would you compare the corporate ethics (ethical behaviour in interactions with public officials, politicians and other enterprises) of firms in your country with those of other countries in the world?' (n=28). (Correlation coefficient=0.76,  $P < 0.001$ ). framework is not only important to prevent foreign bribery and for companies to stay on the right side of the law, it is also good for business. For example, a Europe-wide business survey found that two-thirds of respondents agreed that a company's strong reputation for ethical behaviour translates into a commercial advantage (Ernst and Young, 2011).

Many companies are committing time and resources to improving their governance and ethical standards, and important tools are available to help facilitate this. Our Business Principles for Countering Bribery (T.I, 2009) are recognised as a benchmark code upon which firms should base their anti-bribery programmes. These principles cover the breadth of bribery risks and preventive actions that companies must address and are relevant to all business sectors and countries.

However, many companies must significantly improve their commitment to and implementation of anti-bribery policies and procedures. Respondents to the above mentioned Europe-wide business survey reported that, to help their company grow, more than a third were prepared to offer cash payments, gifts or hospitality to win business and that a quarter of respondents did not trust their management to behave ethically. The UN Global Compact 2010 Annual Progress Report also found that the majority of Global Compact companies fall short of enacting specific anti-corruption policies such as publicising political donations or limiting the value of gifts (Global Compact, 2011).

Since national independence until now, the corruption with the public affairs has been consistently rampant. The anti-corruption efforts of past administrations have been largely limited to ex post facto measures. The lack of preventive measures and political will have resulted in the failure to combat corruption. In Korea, corruption tends to be recognized as 'modus operandi' itself. Not only public officials but also ordinary citizens perceive that they may not successfully be able to compete with others without corruption. Corruption is being practiced by diversified strata of public officials, politicians, and ordinary citizens. It is true that many previous administrations routinely vowed to get rid of corruption. However, they failed because their policies lacked consistency and were largely patchwork in character.

Social and cultural factors such as authoritarian practices, emphasis on regional and academic connections, sectarianism, and paternalism encouraged the prevalence of corruption throughout the entire society. In addition, the growth-oriented economic policy in the past made it a custom that government awarded special privileges to certain companies which, in return for special favors, provided illegal political funds to the politicians who had influence in shaping government policy and operation.

For satisfactory eradication of corruption in the public affairs of Korea, a new mechanism should be created which can guarantee the independence and the neutrality of the ACRC and the public prosecution. There should be a unified and standardized system that can integrate all the existing regulations and policies and implement feasible policies. The Anti-Corruption & Civil Rights Commission (ACRC) was launched on February 29, 2008 by the integration of the Ombudsman of Korea, the Korea Independent Commission against Corruption and the Administrative Appeals Commission. The purpose of this Act is to protect people's basic rights and interests, secure administrative validity, and create a transparent public service and society by handling people's complaints and grievances, improving unreasonable administrative systems, and preventing and efficiently regulating corruption through the establishment of the

Anti-Corruption & Civil Rights Commission. ACRC handle and address public complaints and improve related unreasonable systems and to build a clean society by preventing and deterring corruption in the public sector. ACRC also protect people's rights from illegal and unfair administrative practices through the administrative appeals system(ACRC, 2014).

## 5.1. Business Efforts System in Korea

### 5.1.1. SHINSEGAE Group

SHINSEGAE Group promotes corporate credibility and a safe, sustainable future by creating and employing transparent management practices.

SHINSEGAE has taken a wide variety of measures to establish a culture of integrity in our business practices. Our Corporate Social Responsibility Office is dedicated to implementing ethical management practices across the entire group.

Our White Paper on Business Ethics, which contains SHINSEGAE's guidelines for ethical management practices, was issued to educate our employees about the importance of fair and transparent management practices. Our program to encourage fair transactions was set in place to foster a culture of fair competition.

Moreover, our internal accounting management program, our transparent accounting policy, the appointment of outside directors and the deployment of an electronic accounting system all exemplify SHINSEGAE's commitment to maintaining a sound and transparent financial structure. As a result of these efforts, SHINSEGAE Department Store received an award for transparent accounting from the Korean Accounting Association in 2010. E-Mart received a rating of AA in 2011, the highest ranking among the companies evaluated for voluntary implementation of fair trade practices. SHINSEGAE also operates three voluntary report programs: (1) SHINSEGAE Pay, in which individual employees are responsible for their own expenses incurred inside and outside of the workplace, (2) Clean Report, in which employees voluntarily report any favors or gifts received from outside, and (3) Special Affiliated Relationships, in which employees report in advance any of their special affiliated relationships involved in business transactions(ACRC, 2014).

### 5.1.2. POSCO GROUP

POSCO has decided to hire a veteran industrial bureaucrat to handle its relations with the government, a move seen as challenging President Park Geun-hye's anti-corruption drive of banning ranking state officials from working for major companies after retirement.

What's more problematic is that the Ministry of Security and Public Administration (MOSPA), which is responsible for implementing the anti-corruption measure, gave the bureaucrat the green light to work at the country's biggest steel maker.

It was confirmed Tuesday that the official, who recently retired as director at the Ministry of Trade, Industry and Energy, cleared MOSPA's examination on the ethical appropriateness of

his move to POSCO.

"There is no problem for him working at POSCO as he passed the examination," said a MOSPA official familiar with the case.

Surnamed Chung, the former official in question is known to have dealt with issues related to regional economic affairs in recent years. It's unclear how deeply he was involved in steel industry-related issues. The Korea Times contacted MOSPA's ethics division in charge of the examination several times for comment, but it didn't answer.

"It's true that POSCO has looked for an expert who will deal with government issues. But at the moment the bureaucrat's employment has not yet been finalized," a POSCO spokesman said, distancing the company from the brewing scandal.

The MOSPA official said POSCO's claim doesn't make sense. "An ethics division's examination is only carried out on those who have found an employer determined to hire them." President Park has pledged to tighten regulations to make it more difficult for outgoing bureaucrats to work at companies, for which they could wield influence with their former colleagues in the government. Unlawful lobbying of government officials and politicians has long been considered one of the major causes of corruption and other illegalities.

Under the regulations regarding post-retirement careers for public officials, during the first two years after retirement, they are banned from working at companies whose core business overlaps with issues they handled during their last five years in office(Park, 2014).

### 5.1.3. KIA Motor

KIA Motor has stated its policy of equal treatment related to personnel evaluation in Section 36 of the Collective Agreement and Section 4 of the Rules of Hiring, and has prescribed separate personnel evaluation and promotion management clauses based on these sections. The company has granted equal opportunity in the areas of wages, promotion, etc. in accordance with these provisions. There is no difference in basic salary by gender, and wages are paid according to objective criteria, such as salary class by years of employment. The personnel evaluation system is designed to objectively measure the individual's job performance and to support directors and employees in the improvement of their capabilities. The promotion system comprises a fair selection process through a diverse and objective data-based review by the Official Promotion Review Committee.

The company provides directors and employees with the opportunity for fair personnel evaluation through the rules for personnel evaluation and promotion management(ACRC, 2014).

### 5.1.4. SK

The basis of growth lies in the strict system management. SK puts continuous effort into the innovation of the management system. This strict system management, centering on a board of directors, results in an intensifying of the competitive power of the company and corporate culture, and thus creates a healthy basis for becoming a global company. The stable system of a

holding company, which is considered a new model of management for a Korean corporation, plays an important role in the continuous growth and development of the company. The management, centering a board of directors, creates the bigger value.

SK is doing its best to bring about the growth of the company and to create bigger value for customers and people who are involved, through the management, centering on a board of directors. In fact, SK telecom was selected as the best company for 6 years in a row until 2010 by CGS (Corporate Governance Service.) Indeed, in 2011 SK telecom received an A+, and SK innovation, SK networks, SKC got A. As these high ratings demonstrate, the management, centering on a board of directors, is recognized as the ideal model for transparent management and an advanced governing structure. Besides, Chey Tae Won, the president of SK group, was elected as a director of UNGC, (UN Global Compact) due to the recognition of his efforts to establish the management system, centering on a board of directors, and socially responsible management. At the meeting of G20, held in Seoul in 2010, president Chey plays a role of a convener and also at the conference, held in France in 2011, he took an active role, stressing his point about the importance of the social responsibility of corporations. SK will keep trying to create value for the sake of all who are involved, maintaining stable and continuous growth, based on the strict system management, centering on a board of directors. Basing on SKMS as a basis of corporate governance, SK Holdings creates values for customers, group members, shareholders, and business partners. Through these values, we will make an contribution to the economic and social development and the happiness of all human beings. In order to achieve this, we define codes of ethics and act upon this criteria in decision making and judgment.

SK Energy operates an internal accounting control system to improve the transparency and reliability of financial information, and complies with the legal requirements such as 'the Act on External Audit of Stock Companies' and 'the Best Practices of Internal Accounting Control Systems. SK Energy implements and operates an internal control system. The internal control system is operated by all members, including the board of directors, the audit committee, and management. By regularly performing efficiency evaluation, it reports the result to the board and the audit committee. In addition, it reviews and supplements the Control Matrix to improve the adequacy of the internal control design. With respect to the efficiency evaluation, the effectiveness of evaluation is improved through the re-checking of the department unit's self-evaluated results by a third department(ACRC, 2014).

#### 5.1.5. Yuhan Kimberly

Yuhan Kimberly has ensured the transparent reporting of financial information through its ERP System, which integrates purchasing, production, logistics, sales and other administration sectors, and has managed its resources efficiently. The accounting system is designed to report the transaction closing result on the first day of the next month, in conformance to 'Day One

Closing,' and has been demanded to comply with the obligation of business credit card payment when expenses are consumed. The implementation of the expense automation system in 2007 has contributed to minimizing the misuse of business credit cards. The company has minimized the misuse of business credit cards by implementing the expense automation system for transparent accounting(ACRC, 2014).

#### 5.1.6. Nonghyup

When engaging in business management and activities, 'Ethics' is placed as top priority. All standards for businesses are based on 'Ethical Standards' for transparent, fair, logical operations. Keeping the ethical standards means that the company's decision making is not only based on economical principals, but also on the premise of ethical judgments including transparent accounting, fair terms, legal tax-paying, environment protection to abide by the standards fairly and uprightly, stricter than the law or government regulations.

Ethical management is playing a huge role in elevating a company's market value. According to the 2001 price-earnings ratio of America's most respected 10 companies, there average rate was 9.7%, exceeding the average -11.9% of S&P 500 companies. This is also applied in Korea, and trustworthy companies' price-earnings ratio are 2.3 times higher than others in average.

According to a recent report by The Federation of Korean Industries, ethical management companies with exclusive departments showed an average stock increase ratio of 41.3% from 2001 to 2003. Clean Nonghyup, rising to Korea's No.1 leader in distribution and finance. In order to heed to complaints and suggestions which can evolve during dealing with partner companies, Nonghyup is providing various communication channels. Talks with Partner Companies Through integrity ratio research results, quarterly 'Talks with Partners' are made in order to listen to partner companies' opinions on indicated problems. Partners can suggest unnecessary work procedures, or require correction of unethical activities or illegal actions. These talks are planned and done by departments which are in direct contractual relationship with partners, and although periods may vary among each departments, 2 to 3 talks are taken place each quarter. Clean Reporting Center'Clean Reporting Center' is a reporting system operated via Nonghyup's website(www.nonghyup.com) for eliminating employee's corruptions by reporting irregularities. Unethical actions or things needed for improvement including the contractual relationship can be reported, and we are replying the process results for reporters who reported with real names. Integrity Postcard The Integrity Postcard is received directly to the law-abiding inspection team auditors when corruption among Nonghyup employees or inefficient customs prevail during work process. Nonghyup is requiring active reporting by sending this postcard and letters to partner companies in contractual relationship and when the reporter writes on the postcard and sends it to us, Nonghyup pays all the posting fees and is receipting all reports. This postcard can be reported with no names on it, and when sent



anonymously, process results are delivered with strict confidentiality.

Next, Nonghyup market's ethical management as are follows; Through spontaneous and regular computer programs which check employee's compliance to codes, internal regulations, action codes, we are confirming our will to abide by the ethical standards and elevating ethical consciousness. Features Pop-Up screen enables employees to be exposed to the system easily Beginning of every quarter(for 7 days) "Self-diagnosis of standards compliance" enhances educational effects Details. Fully understand related regulations and standards when working, and decide working methods according to procedures Obligations for keeping integrity in order to protect customers and assets Implementation of Employees Action Code such as fulfilling one's duties, not bribing and collecting irregular profits Protection of important information of Nonghyup and customers Whether the employee received or provided illegal bribes between duty managers and employees Designation and operation of Actions Code Manager(Local Action Code Manager)Regular and irregular supervision of audit division-law-abiding support department-union audit committee office local headquarters audit teams Irregular and regular supervision of auditing for each office(ACRC, 2014).

## 5.2. International Cooperation

The Korean government has been committed to global initiatives to combat corruption and resolve grievances of the people.

For example, Korea has been participated actively in the "G20 Anti-Corruption Action Plan" and "APEC Anti-Corruption and Transparency Working Group." The ACRC of Korea also played a leading role in establishing the ACA(Anti-Corruption Agency) Forum and serves as the secretariat of the ACA Forum where the heads of the anti-corruption bodies discuss anti-corruption issues in the Asian-Pacific region.

In addition, the ACRC has faithfully tried to implement international anti-corruption conventions such as the OECD Anti-Bribery Convention and the UN Convention Against Corruption(UNCAC). Moreover, the ACRC signed bilateral MOUs with the anti-corruption bodies of Indonesia, Thailand, Vietnam and Mongolia, expanding its technical assistance for developing nations.

On the Ombudsman side, the ACRC has been playing an important role to promote exchanges and cooperation through various initiatives as a member of the International Ombudsman Institute(IOI) and the Asian Ombudsman Association(AOA). Furthermore, the ACRC signed MOUs in Ombudsman cooperation with Indonesia, Kyrgyz, Thailand, Uzbekistan, Vietnam and Philippines, opening the doors for bilateral cooperation in enhancing the rights of, and helping resolve the grievance of overseas nationals.

The ACRC, with both Ombudsman and anti-corruption functions, will continue to cooperate with global societies more closely and constructively(ACRC, 2014).

## 6. Conclusion

Trends in anti-corruption policies and programs in global communities were reviewed with focus on UN, OECD, OAS, USA and Asian countries. These models were considered because Korea suffers from inefficiency for the lack of anti-corruption infrastructure, and they can be very instructive for the Korean situation. For example, the USA's consistent effort to keep trust of people by swearing to root out corruption teaches Korea and lesson. The FCPA of U.S. severely punishes the public officials corrupt with bribery or property misappropriation. Global Combating corruption should focus on the reform of systems. It requires an economic approach with great political sensitivity. The design and implementation of the measures of this study must obviously be tailored to each country' conditions. At the same time, international cooperation can make a difference. International cooperation can help national leaders develop political resolve.<sup>29</sup>

Governments are tasked with installing an effective regulatory framework, preventing as well as criminalising bribery, and, in particular, actively applying this framework through investigation and prosecution of bribery cases. Governments need to require anti-bribery and anti-corruption standards of suppliers and contractors in public procurement, as well as loans and influencing bodies such as export credit agencies. Companies also need to act. Business integrity codes are crucial but not enough. Companies must ensure effective implementation of anti-bribery policies and procedures and reporting publicly on the measures they are taking(Transparency International, 2014). This research contributes ethical management to the business sector but has Limitation. Corruption itself is ice under water that not eradicated monster. Especially one of the main reasons why the corruption has not been reduced in Korea is that without any integral policy for anti-corruption "shock" or one-time measures were employed. There was no coordinating network or working linkage in handling the corruption, which led to the struggle of hegemony among the relevant organizations. In addition, there were no educational programs or public campaigns to promote the public awareness against corruption. Now with such problems in mind, the Korean Government should seek a comprehensive and systematic approach in dealing with corruption and consider the successful cases of other countries. Hopefully, the anti-corruption trends and strategies in Korea will prove successful if Korean civil servants and the government build confidence and conviction in their implementation of global standards against corruption.

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