

13. Corporate governance and corporate social responsibility in chaebols: tracing their evolution under government influence

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1. INTRODUCTION

In South Korea, large family-owned businesses, known as chaebols, have been the driving force behind South Korea's economic expansion. Since the mid-1960s, chaebols have established strong political ties and played a vital role in South Korea's transition from an agrarian to an industrial economy. A chaebol is a huge industrial conglomerate in South Korea that is owned by a person or a family. Typically, a chaebol comprises several diverse affiliates under the authority of a single individual or group. There are around 25 chaebols in South Korea that account for 84.3% of the country's gross domestic product (GDP) but just 10 percent of jobs. The most prominent of these include Samsung, Hyundai, LG, and SK Group, just to name a few.

Usually, a chaebol tends to have the same brand name across many sectors. The founding families of a chaebol exert a preponderant influence over the group's affiliates and commercial strategy and the Korea Fair Trade Commission (KFTC) describes a chaebol as a collection of companies whose controlling shareholder owns or controls more than 30 percent of the businesses' shares (Moskalev & Park, 2010). Interestingly, chaebols have flourished in Korea as a consequence of the government's attempts to foster internationally competitive businesses by providing particular incentives (Campbell II & Keys, 2002), and chaebol descendants continue to control the lion's share of authority inside the group's firms (Lee et al., 2019).

In 2019, more than half of all corporate profits were gained by chaebols, which continue to wield significant economic influence in the nation. As a result of the government subsidies they have received, as well as allegations of corruption, they have been exposed to severe criticism by Koreans (Andolfo,

2018). In fact, despite the chaebols' contribution to the industrialization of Korea, it has frequently been shown that their families have a lot of advantages over other businesses, to the point that the media criticizes them (Lee et al., 2019). This has resulted in the erosion of the reputation and credibility of these businesses by producing unfavorable public perception. Therefore, it is intriguing to comprehend how these organizations demonstrate concern for their brand by virtuous behaviors, such as those associated with corporate social responsibility (CSR).

As there are numerous definitions of CSR in the literature, we employ the definition of CSR as the corporate social or environmental behavior that exceeds the legal or regulatory requirements of the relevant market(s) and/or economy(ies), summing up the five dimensions of CSR activities (environmental, social, economic, stakeholder, and voluntariness) and defining it as activities that go above and beyond what is required by law for the sustainable growth of societies (Kitzmueller & Shimshack, 2012; Lee et al., 2019).

In light of this, this chapter proposes to examine the CSR of chaebols through a study of current literature in order to build, on the one hand, a framework for understanding how this type of business has included CSR choices and actions as a lever to protect their reputation and/or family name. On the other hand, the purpose of this study is to establish if the Korean government offers incentives and support for socially responsible behavior among chaebols.

The chapter is organized as follows: first, the economic significance of chaebols for South Korea will be presented, accompanied by a historical overview. Following this, the structure and characteristics of these large industrial conglomerates will be described to highlight their distinctive features with respect to family businesses worldwide. The analysis will then shift to an examination of corporate governance and social responsibility, beginning with a general review of these concepts before focusing on their specific application within chaebols. In conclusion, the chapter addresses the role of the government in promoting and supporting CSR policies within the chaebols.

2. SOUTH KOREAN GIANTS: THE REALITY OF CHAEBOLS AND THEIR ECONOMIC IMPORTANCE FOR THE COUNTRY

South Korea's journey toward becoming one of the world's most dynamic economies began from exceedingly adverse circumstances. In the early 1960s, South Korea's economic prospects appeared bleak, with a GNP per capita of merely \$87 in 1962, positioning it among the world's poorest nations (Kim, 2013). Comparable in economic standing to Ghana and Sudan and significantly trailing behind the Philippines, Korea's journey from an impoverished nation to an economic powerhouse is a remarkable tale of strategic policy

implementation and industrial resilience (Kim, 2013). Therefore, in 1962, Korea's GNP per capita was alarmingly low, indicative of the economic challenges the country faced in the aftermath of the Korean War. In effect, the socio-political landscape during the 1950s and early 1960s was tumultuous, with the country grappling with the ravages of war and the daunting task of national rebuilding.

Thus, the turning point for Korea's economy came with the initiation of comprehensive economic policy reforms when the government spearheaded reforms aimed at promoting rapid industrial growth through direct intervention, including financial and non-financial incentives to businesses aligning with national development goals. The establishment of a capitalist economy, where private ownership was encouraged, laid the groundwork for future economic expansion.

Hence, in South Korea, the regulation limiting commercial bank ownership has led business conglomerates to rely heavily on internal funding mechanisms. This framework is detailed in research by Almeida et al. (2015) and Kim et al. (2004), highlighting the unique financial strategies within chaebols. Furthermore, it has been a common practice for chaebol groups to invest in non-bank financial institutions, a trend documented across several studies (Kim et al., 2004; Kim et al., 2010; Kim, 2017). Additionally, there is evidence that these business groups engage in supporting their financially struggling affiliates through a process known as propping or negative tunneling, effectively prioritizing them over more solvent entities (Bae et al., 2008). This financial maneuvering was particularly pronounced during the 1970s when the Korean government funneled substantial financial support to the biggest chaebol groups via state-owned banks, often to the detriment of smaller and medium-sized enterprises, as explored by Haggard and Moon (1990). This historical context sheds light on the concentrated financial practices and the preferential treatment received by chaebols, which has shaped the economic landscape in Korea.

Thus, due to government-backed initiatives, chaebols have grown into multinational corporations, exerting considerable influence on the global stage, where these entities, which include household names such as Samsung and Hyundai, have become synonymous with Korean economic development.

In this sense, chaebols can be rightly defined as large, South Korean family-owned business conglomerates characterized by their strong ties with the government and operations across various industries. More in detail, the term "chaebol" comes from the Korean words "chae" (wealth or property) and "bol" (clan or clique), effectively meaning a conglomerate owned and controlled by a family.

Just to show a quick overview of the chaebols, we can mention the top ten chaebols as shown in Table 13.1. This brief descriptive introduction highlights

Table 13.1 List of main top ten chaebols in South Korea

Name of chaebols	Founder	Year of foundation	Main activities	Number of affiliates
Samsung Group	Lee Byung-Chul	1938	It is the largest South Korean chaebol, known globally for its electronics division, which manufactures smartphones, TVs, and semiconductors	+60
Hyundai Motor Group and Hyundai Heavy Industries Group	Chung Ju-Young	1947	It is a major conglomerate specializing in automobiles; it includes the Hyundai and Kia automotive brands, making it one of the world's largest car manufacturers, while the second is known for its role in shipbuilding, construction equipment, and heavy industry; it is one of the largest shipbuilders in the world	+80
SK Group	Choi Jong-Hyun	1953	It operates in various sectors, such as telecommunications, energy, chemicals, and logistics; SK Group is particularly known for SK Telecom, South Korea's largest wireless carrier, and SK Hynix, a leading global semiconductor manufacturer	+100
LG Group	Koo In-Hwoi	1947	It has businesses ranging from electronics (LG Electronics) and chemicals (LG Chem) to telecommunications and services	+70
Lotte Group	Takeo Shigemitsu, born Shin Kyuk-Ho	1948	It is a multinational conglomerate with a significant presence in food, retail, chemical, and entertainment industries, including department stores, hotels, and amusement parks	+90
Hanwha Group	Kim Chong-Hee	1952	It is a conglomerate with a focus on three major sectors: manufacturing and construction, finance, services and leisure, with key businesses in chemicals, defense, and solar energy	+70
GS Group	Huh Chang-Soo	2005	Originating from LG Group, GS Group has interests in energy, retail, and construction, including GS Caltex, one of South Korea's major oil refiners	+60

Name of chaebols	Founder	Year of foundation	Main activities	Number of affiliates
CJ Group	Lee Byung-Chul	1953	After spinning off from Samsung in 1993, CJ Corporation expanded its business portfolio into four key sectors: food and food services, biotechnology, entertainment and media, and retail and logistics	+70
Doosan Group	Park Seung-Jik	1896	It is involved in heavy industries, construction, engineering, and consumer goods, with Doosan Heavy Industries and Construction being a key company within the group	+20
Posco Holdings	Park Tae-Joon	1968	POSCO (Pohang Iron and Steel Company) is a steel manufacturer headquartered in Pohang, South Korea	+30

Source: Authors' elaboration.

how chaebols are integral to the South Korean economy, contributing significantly to the country's GDP and international trade, and they have also played a crucial role in South Korea's industrialization and economic development, making them influential not only within South Korea but also on the global stage, with deep and important ties to the government. At this point, it is worth delving deeper into the characteristics of these major industrial conglomerates.

3. INSIDE THE CHAEBOLS: OWNERSHIP, DIVERSIFICATION, AND GOVERNMENT CONNECTIONS

To fully grasp the impact of chaebols on South Korea's economic rise since their inception in the mid-twentieth century, it is essential to examine their distinctive characteristics. In fact, these conglomerates represent a distinct model of corporate governance (CG) and business operations characterized by family dominance, diversified business interests, and intricate government relationships.

Regarding the first aspect, the governance of chaebols is notably marked by family control, with leadership typically residing within the founding family or its descendants. This familial leadership plays a critical role in steering the conglomerate's direction, making pivotal strategic decisions that shape the conglomerate's future. The control mechanism within chaebols is complex, often involving a labyrinthine network of cross-shareholdings among the subsidiaries. This setup allows the controlling family to exert significant influence over the conglomerate with a minimal direct stake, ensuring that control remains tightly knit within the family circle.

About the second aspect, the diversification appears to be developed across a broad spectrum of industries, which is a hallmark of the chaebol structure. From electronics, manufacturing, and automotive to finance, services, and construction, chaebols have their hands in a vast array of sectors. This diversification not only mitigates risk by spreading investments across different industries but also positions chaebols to seize emerging market opportunities, driving innovation and growth.

Finally, the last aspect is the symbiotic relationship between chaebols and the South Korean government, which we cannot deny has been a cornerstone of their success. Historically, chaebols have enjoyed a close rapport with the government, benefiting from policies designed to nurture their growth and shield them from international competition. This close nexus has facilitated the rapid industrialization of South Korea, transforming it from a war-torn country into a thriving, high-tech economy. However, this relationship has not been without controversy. The preferential treatment received by chaebols has sparked debates over unfair advantages, leading to calls for increased

transparency, regulatory reforms, and a more level playing field for all businesses in South Korea.

Despite the criticisms, the role of chaebols in South Korea's economic narrative cannot be underestimated. Their contribution to the country's industrialization, technological advancements, and global economic stature is immense. As South Korea continues to evolve, the ongoing dialogue about the future role of chaebols, their governance, and their relationship with the government suggests a dynamic landscape that balances economic ambition with equity and transparency. For this reason, because of the importance of these conglomerates, it is very important that their conduct and reputation be in line with fair business policies adherent to CSR. In fact, their dominance raises concerns about market competition, economic inequality, and CG, and in response to various financial crises and scandals over the years, there have been ongoing efforts to reform chaebols, focusing on improving CG, reducing family control, and fostering fair competition. This delicate act of balancing governance and social responsibility will be explored in the following sections, which delve into the challenges modern enterprises face in this evolving landscape.

4. THE SHIFTING LANDSCAPE OF CORPORATE GOVERNANCE IN CONTEMPORARY ENTERPRISES

4.1 The Evolution of Corporate Governance Concepts

The ongoing efforts to reform chaebols go hand in hand with the evolution of the concepts of CG. Over the years, the conceptualization of CG has undergone significant evolution. Initially, the focus was narrow, primarily centered on the interests of shareholders. However, this viewpoint has progressively widened to include a broader spectrum of stakeholders, marking a transition from a constricted to an expansive interpretation of CG (Magnan & Michelon, 2024).

Unsurprisingly, the definitions of CG originate from agency theory, which highlights the importance of shareholders' interests and the oversight of managerial decisions and actions. In fact, studies of CG have long been preoccupied with the management's control over the corporation's assets. This is especially true and justified given the shift from entrepreneurial enterprises, which were owned and controlled by their founders, to contemporary giant corporations, which were managed by career experts, during the late 1920s and early 1930s (Magnan & Michelon, 2024).

However, notwithstanding the substantial impact of agency theory on contemporary CG procedures, a number of researchers conceptualize and comprehend CG as pertaining to a broader societal function of enterprises (Roberts

& Van den Steen, 2000; Solomon, 2020). This viewpoint is predicated on a model of the firm that is stakeholder-oriented as opposed to shareholder-centric, and it adopts a comprehensive accountability framework in which CG guides the decision-making process of the organization in the pursuit of societal well-being. In line with this, it can define CG with the mechanisms, both legal and informal, by which a corporation is controlled and administered. This encompasses legal obligations, corporate regulations, and informal practices that exist inside the organization. Its objective is to ensure that all parties are working toward a single goal that is advantageous to the organization, its members, other stakeholders, and society as a whole by aligning the interests of stakeholders. This means that governance has been progressively extended to encompass a broader range of oversight pertaining to the operations of corporations, encompassing its societal and environmental ramifications.

This supplementary element pertaining to business sustainability frequently emerges in reaction to inquiries from stakeholders. This term underscores the significance attributed to trust, the exercise of authority, and responsibility within corporate structures. Therefore, CG comprises a collection of regulations and hierarchical frameworks that serve as the foundation for ethical company conduct, recognized as recompense for the occasionally conflicting interests between stakeholders (Du Plessis et al., 2018).

Inside a firm, the CG pertains to a sequence of procedures and regulations designed to compel organizations to adhere to particular codes concerning the means by which they are supervised and directed; regulations encompass not only the domestic legislation of the jurisdiction in which the organization functions but also internal corporate procedures (Scherer et al., 2016). Consequently, the notion of a company's CG encompasses all regulations and procedures that govern the decision-making process; it also delineates the trajectory towards attaining corporate goals and, by extension, the methods employed to accomplish them, in addition to assessing the outcomes attained. Therefore, CG is predicated on the internal and external systems of checks and balances that ensure organizations fulfill their obligations to all stakeholders and operate in a socially responsible manner across all aspects of their activities (Iansiti & Levien, 2004).

4.2 Broadening the Scope of Corporate Governance Integrating Stakeholder Expectations

It remains critical for organizations to engage with their stakeholders to develop, maintain, or enhance their legitimacy to operate, which denotes the capacity of the firm to satisfy social needs. Engaging with stakeholders enables companies to grasp their expectations, emphasizing that effective CG and accountability should concentrate on meeting these expectations, which include social,

environmental, economic, and ethical aspects (Iansiti & Levien, 2004). While agency theory aptly describes the supervisory role of CG, stakeholder theory is beneficial for comprehending wider accountability and reporting methods. This theoretical perspective forms the foundation for CG frameworks to incorporate elements of corporate social responsibility and to extend corporate reporting beyond just the financial performance of corporations.

A stream of research recognizes the dual role of boards of directors: supervising operations and offering counsel, as pointed out by Brickley and Zimmerman (2010). This body of work focuses on the importance of CG in strategic decision-making and the creation of value. It especially highlights the board of directors' role in establishing a company's objectives and strategic path, a concept identified by Hillman et al. (2000). Using the resource-dependence theory, researchers argue that directors and boards link the company to external elements that create uncertainty and dependencies, influencing the organization's ability to manage resources and formulate strategies, as described by Pfeffer and Salancik (1978).

This perspective has been instrumental in understanding the importance of individual director experiences and skills, moving beyond the simplistic division between executive (related) and non-executive (independent) directors. It helps in identifying the necessary competencies and external connections that assist the organization in navigating a volatile and uncertain environment. Consequently, the board is perceived not only as a crucial entity for oversight and accountability but also as the central decision-making body shaping corporate strategy. In essence, this approach represents an amalgamation of agency theory and resource dependence theory in assessing the role of directors, as suggested by Hillman and Dalziel (2003).

Magnan and Michelon (2024) pinpoint four significant turning points in the evolution of the CG concept. These milestones begin with the Great Depression and the subsequent introduction of the US Securities Acts of 1933 and 1934, laying the groundwork for key financial regulations. The Second World War marks another crucial phase, ushering in a stakeholder-focused approach across continental Europe. The third key event involves the financial misdeeds of the late 1980s and early 1990s in the United Kingdom, leading to the influential Cadbury report on CG. Finally, the financial malpractices of the late 1990s and early 2000s catalyzed the implementation of the Sarbanes–Oxley Act in 2002, significantly influencing the framework of CG. These four key events significantly influenced the progression of CG in the majority of developed economies.

Consistent with this reasoning, it's crucial to acknowledge the developing tensions between a shareholder-centric model of CG and an approach that encompasses a wider spectrum of stakeholders. An example of this is the rise of environmental, social, and governance (ESG) standards, which not only

serve as tools for improving firm performance but also increasingly highlight the importance of sustainability. Within this framework, environmental and social challenges are emerging as significant forces that are currently impacting, or have the potential to transform, both the concept and the practice of CG. Thus, sustainability is progressively emerging as a critical and indispensable component of the approaches adopted by organizations (Iansiti & Levien, 2004), as well as of the associations they forge with diverse partners across the entire value chain, thereby bridging CG with CSR.

5. FROM BOARDROOM TO COMMUNITY: BRIDGING CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

5.1 The Role of Corporate Social Responsibility

The focus on social responsibility began 50 years ago when Friedman (1970) put forth the argument that socially responsible policies in companies were a misuse of essential resources, citing their prohibitive implementation costs, which he believed outweighed any real benefits and detrimentally affected shareholder interests. However, this perspective has been increasingly challenged in recent times. Brammer and Millington (2008) argued that Friedman's view is only partially correct. Modern companies recognized for sustainable value creation are seen to deliver high-quality performance while conserving natural resources, focusing on people, planet, prosperity, and collaboration as crucial goals to improve the quality of life, as highlighted by Martínez-Perales et al. (2018).

The concept of sustainable development, as introduced in the 1987 Brundtland Report by the United Nations' World Commission on Environment and Development, emphasized the potential of humanity to achieve development that meets the needs of the present without compromising future generations (Brundtland, 1987). This concept acknowledges limits imposed by current technology and social organization on environmental resources and the biosphere's ability to withstand human activities (Brundtland, 1987, p. 16). It underscores that genuine sustainable progress must address the interlinked aspects of economic, environmental, and social well-being.

Since its introduction, the concept of sustainable development has evolved, leading to more than 300 definitions across environmental management literature and social sciences (Johnston et al., 2007). This diverse range of ideas has culminated in the broader term "sustainability" encapsulating the environmental, economic, and social dimensions. Shenhar and Dvir (2007) suggest that while economic aspects are crucial for business establishment, environmental and social factors are equally significant. Thus, CG should integrate

aspects relevant to all three sustainability dimensions. The 2030 Agenda for Sustainable Development (United Nations, 2015) represents this evolution's apex, incorporating economic, social, and environmental components in its 17 Sustainable Development Goals (SDGs).

The 2030 Agenda is a global pact where all 193 member countries commit to the 17 SDGs, making every national and international economic and social actor equally accountable. The business sector is particularly seen as a catalyst for change, transforming supply chains, manufacturing technologies, investment strategies, consumer behaviors, and business models. Addressing sustainability in CG decisions, which often require extensive resources and significantly affect local communities, is becoming increasingly urgent (Martens & Carvalho, 2016) all around the world. Integrating social and environmental aspects into CG mechanisms is a complex but necessary undertaking (Thamhain, 2014).

This shift signifies that the historical focus on economic sustainability in business decisions must now be complemented by an equal emphasis on environmental and social sustainability, adopting a stakeholder-oriented strategy. This approach aligns with the assertion by Elkington and Rowlands (1999) that social justice, economic prosperity, and environmental quality—the triple bottom line—are critical for businesses in the twenty-first century (Freeman & Dmytriiev, 2017). These three pillars will serve as the new benchmarks for corporate performance evaluation.

In practical terms, environmental sustainability involves managing inputs like materials, energy, and water, as well as controlling outputs such as emissions, waste, and effluents to minimize pollution and resource consumption. Social sustainability, on the other hand, manifests in organizational practices that focus on working conditions, employee relationships, health and wellness, diversity, human rights, and safety, alongside community engagement and philanthropy (Alsayegh et al., 2020). Therefore, enterprises, pivotal to global growth, should spearhead this transformation (Sánchez, 2015). The perceived “higher cost” of achieving genuine sustainability is anticipated to yield greater long-term value, encompassing environmental conservation, enhanced community well-being, and the creation of wealth for future generations that transcends mere financial prosperity. For these reasons, the conduct of the chaebols has had to adapt to this evolving business paradigm.

6. EXPLORING THE NEXUS BETWEEN CHAEBOLS AND CSR, AND RELATED IMPLICATIONS FOR CG

6.1 Exploring the Ethical Dimensions of Chaebols' Corporate Dominance

The interplay between chaebols and CSR presents a unique perspective in understanding CG and ethical business practices in this kind of enterprise. The reason for this attention is due to the fact that chaebols have played a pivotal role in the nation's rapid economic development that extends their influence beyond economic parameters into socio-political spheres (Ryu & Chae, 2022). In other words, the analysis of the link between chaebols and CSR evaluates how these dominant conglomerates contribute to social obligations, their impacts, and associated ethical considerations (Lee et al., 2019). This means investigating the broader consequences of corporate dominance on societal and environmental well-being, particularly in the context of South Korea's corporate landscape (Ben-Shahar et al., 2023).

Another very relevant aspect is that chaebols have become synonymous with South Korea's economic identity due to the fact that the government's strategic decision to promote industrialization led to the nurturing of these family-owned businesses, providing them with financial support and policy benefits (Kim, 2013). However, this support often came in forms that were criticized for being unfair or poorly received within the broader business community of the country. Their impact on the South Korean economy remains significant. Chaebols have played a key role in elevating South Korea to the status of one of the world's major economies. Nonetheless, their expansion has been marred by disputes. Accusations against them encompass monopolistic behaviors, favoritism towards family members, and often a lack of transparency in corporate management. The concentration of control within family circles has frequently resulted in problems related to the accumulation of power and economic inequality.

Therefore, understanding chaebols is critical in analyzing their approach to CSR. Their historical and economic context provides a backdrop against which their CSR practices can be evaluated, revealing the complexities of corporate ethics in a rapidly evolving global economy.

Although there is a vast number of articles that define what CSR is (e.g., Crane et al., 2008; Lockett et al., 2006), in general, CSR can be defined as a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. It embodies the societal obligations and outcomes of business achievements; it involves well-defined and shared policies and practices of companies that demonstrate their accountability for

contributing to the broader societal welfare. By practicing CSR, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. CSR goes beyond compliance with legal requirements: it involves proactive efforts to contribute to a better society and more respect for the environment. It encompasses a wide range of activities, such as working in partnership with local communities, environmentally sustainable practices, and ethical labor practices. Globally, CSR has gained prominence as stakeholders increasingly expect businesses to be transparent, ethical, and accountable for their societal impacts (Ryu & Chae, 2022).

Chaebols' approach to CSR reflects both their unique corporate structure and South Korea's cultural and economic context. Traditionally, chaebols have focused primarily on economic growth and expansion, often at the expense of social and environmental considerations. However, in recent decades, there has been a noticeable shift towards embracing CSR. This change is partly due to increasing global scrutiny and the rising importance of sustainable practices in business (Lee et al., 2019). Another reason for implementing CSR policies is undoubtedly related to the desire to "clean up" and improve the perception of these conglomerates (Choi & Hong, 2022).

Major chaebols, such as Samsung, Hyundai, LG, and SK Group, have implemented various CSR initiatives. Samsung, for instance, involved in scandals of global proportions (Chang et al., 2019), has focused on creating social value through innovation, investing in educational programs, and promoting environmental sustainability in its operations (Chang et al., 2019).

6.2 Examples of CSR Initiatives by Leading Chaebols

6.2.1 Samsung

Samsung has integrated CSR into its business model, focusing on education, sustainability, and innovation. However, concerns remain about labor practices and environmental impact (Chang et al., 2019). One notable initiative is the Samsung Innovation Campus, which provides opportunities for 3,000 students in technology fields. Samsung's CSR vision emphasizes empowering the younger generation, encapsulated in the slogan "Together for Tomorrow! Enabling People." Their focus on youth stems from the belief that this generation holds the potential to drive future innovations and significant social change. Samsung's CSR journey began in 1995 and continues with growing intensity. They publish an annual CSR report, available to the public, showcasing their sustainability efforts. The 2023 report, titled "A Journey Towards a Sustainable Future," details Samsung's commitment to the planet, people, and sustainability, supported by concrete achievements and data (Samsung, 2023).

6.2.2 Hyundai

Hyundai's community engagement focuses on various CSR activities, including global health initiatives and educational programs. While these efforts demonstrate Hyundai's commitment to CSR, they have faced criticism for being more promotional than impactful (Rhee et al., 2017; Ryu & Chae, 2021). In 2023, Hyundai invested in reforestation, housing, and STEM¹ education in coastal Georgia, partnered with "One Tree Planted" to plant 200,000 trees across North America, and supported diversity programs like sponsoring the Museum of Latin American Art and being a founding donor of the National Museum of African American History and Culture. Hyundai also contributes to community-building through projects like "Habitat for Humanity of Orange County," which has built over 200 homes, and a partnership with Northgate Markets to provide holiday meals to those facing food insecurity. Hyundai's Sustainability Report, available online, outlines their CSR policies and ESG initiatives aimed at improving business operations and enhancing stakeholder lives (Hyundai, 2023).

6.2.3 LG Group

LG has been actively involved in environmental stewardship and community initiatives (Jun & Kim, 2021), reflecting the chaebols' growing acknowledgment of their social responsibilities (Kim, 2023). LG's commitment to CSR is evident on its official website, where its philosophy, "Life's Good," drives impactful initiatives aimed at enhancing quality of life. These programs address societal needs such as hunger eradication, healthcare for underserved populations, and support for armed forces personnel. Notable initiatives include "Karein Roshni: Light for Every Sight," which targets assistance for 14,500 individuals through partnerships with eye care institutes across India, and "Life's Good Nutrition Program," which provides nutritious meals to 59,000 children in Indian government schools through collaborations with Akshaya Patra and Annapoorna Trust. Another impactful program is the "LG Digital Class," designed to improve digital education access for marginalized communities, benefiting 135 teachers and 8,422 students. LG also publishes its CSR report, focusing on two key areas: the "3Cs" for the planet—Carbon neutrality, Circularity, and Clean technology—and the "3Ds" for people—Design for all, Decent workplace, and Diversity and inclusion (LG, 2023).

6.2.4 SK Group

Moving to another conglomerate, we can point out how SK Group oversees the operations of over 175 companies spanning various sectors, including energy, life sciences, advanced materials, mobility, and semiconductors.² They assert that their dedication extends beyond mere financial expansion, striving incessantly to generate significant social value that safeguards the environment and

elevates communities globally in its double bottom line philosophy to create simultaneous growth in the companies' economic and social value. Since 2018, SK Group has published its social value measurement methodology along with its annual outcomes and has made the sustainability report for the 17 SK companies public (SK, 2023).³

In conclusion, implementing CSR in chaebols is fraught with challenges and ethical considerations. The centralized, family-dominated structure of chaebols often leads to conflicts between profit-making and broader societal responsibilities. Issues of transparency and accountability are prominent, as family interests may not always align with public welfare. The ethical dilemma is further complicated by instances of nepotism and corporate misconduct within some chaebols, casting doubt on the authenticity of their CSR initiatives (Campbell II & Keys, 2002). Moreover, the balance between pursuing aggressive growth strategies and adhering to sustainable, socially responsible practices poses a continuous challenge (Krueger & Yoo, 2002). This aspect was understood by the government, which, just as it had previously intervened to support the economic growth of chaebols, promptly took action to assist them in adopting socially responsible and sustainable policies.

7. THE IMPACT OF GOVERNMENT INCENTIVES ON CSR PRACTICES AND CHAEBOLS' RESPONSE

Recognizing the importance of CSR practices, the government quickly moved to aid chaebols in adopting socially responsible and sustainable policies. However, the relationship between chaebols and CSR is complex and multifaceted. While there has been a notable shift towards embracing CSR, challenges remain, particularly in terms of ethical considerations and the genuineness of these initiatives. The evolution of CSR in chaebols reflects a broader global trend of integrating social responsibility into business practices, yet it is clear that the mere adoption of CSR policies is not sufficient. It requires a fundamental change in corporate ethos and governance to ensure that CSR moves beyond public relations, becoming a core element of corporate identity (Ryu & Chae, 2021). In Korea, the CSR initiatives of large companies, as seen in previous examples, are often characterized by philanthropic efforts, known as "corporate community relations." These initiatives include not only charitable projects but also volunteer activities by CEOs and employees (Nam, 2011). Many large corporations channel their social contribution funds through foundations established by the conglomerates themselves.⁴

One controversial aspect of corporate philanthropy in Korea is the timing of significant donations, often following legal convictions of conglomerate owners for crimes like embezzlement or tax evasion. This pattern suggests that companies prioritize donations to divert public scrutiny from illegal activities.

Consequently, the Korean public is often skeptical, viewing CSR efforts as superficial public relations tactics. These initiatives are seen as strategies to manage public perception and restore the tarnished reputation of large firms, with the belief that corporate donations can help improve their public image (Choi & Aguilera, 2009).

Frequently, for Korean companies, CSR is largely seen as activities beyond their primary business operations and has not been integrated into the core functions of the firms. This could indicate that Korean companies have yet to incorporate long-term CSR initiatives into their foundational beliefs or strategic planning. In contrast to numerous multinational corporations in developed markets, Korean businesses have not fully adopted CSR as a strategic element. Large corporations in Korea are increasingly criticized for neglecting the concerns of stakeholders amid growing social and economic disparities between the affluent and the less affluent, as well as between larger and smaller companies. Given their dominant role in the Korean economy, these corporations face accusations of not sufficiently engaging in CSR efforts (Nam, 2011).

In this scenario, one aspect that should not be underestimated and should be interpreted in a positive rather than a negative sense is the fact that the support from the government in the chaebols' formation (Nam, 2011) has been prompted to contribute positively to society. Moreover, following the 1997 Asian financial crisis, the Korean government has significantly influenced the promotion of CSR among major corporations. To foster greater accountability and enhance CG, it introduced a raft of legislation and guidelines.

Notably, in 2002, it founded the Anti-Corruption Committee (which later became the Korea Independent Commission Against Corruption), aiming to boost corporate integrity. Moreover, South Korea's commitment to sustainability and CSR is highlighted by the establishment and evolution of the Korea Corporate Governance Service (KCGS), which, since its inception in June 2002 under the approval of the Minister of Economy and Finance and leadership of Gwang Sun Jung as its inaugural president, has been a cornerstone in promoting responsible corporate practices.

From 2003 onwards, the Ministry of Commerce, Industry and Energy (now known as the Ministry of Knowledge Economy) has actively encouraged ethical conduct among both public and private entities. This effort included the creation of the Business Institute for Sustainable Development within the Korea Chamber of Commerce, dedicated to fostering sustainability management through collaborative efforts with various stakeholders.

In October 2006, in partnership with the Korea Chamber of Commerce and Industry and the Institute for Industrial Policy Studies, the Ministry introduced the Korean Sustainability Report Indicators. An annual awards ceremony has been established to recognize outstanding achievements in sustainability management and best practices within the country (Nam, 2011).

Furthermore, in 2010, the government formed the Committee for Shared Growth to advocate for a cooperative and mutually beneficial relationship between large corporations and small to medium-sized enterprises (SMEs). This initiative aimed to address the increasing public concern and critique regarding the widening economic disparity, especially the expanding divide between large corporations and SMEs in Korea. Despite the Committee's efforts to earmark certain industries and activities for SMEs exclusively, it encountered substantial opposition from major conglomerates, culminating in the resignation of the committee's inaugural chairperson. Additionally, even in 2010, the Korea International Cooperation Agency (KOICA), the leading development cooperation agency affiliated with the Ministry of Foreign Affairs, launched pilot public-private partnership projects as one of its Official Development Assistance (ODA) programs, which was later renamed to the global CSR program (Kim & Shin, 2022; Sohn et al., 2014).

A landmark development in its mission was the expansion of its governance rating system in 2011 to encompass environmental (E) and social (S) considerations, culminating in the creation of an integrated ESG rating scheme (Choi et al., 2024). Through its comprehensive guidelines, KCGS not only advocates for but also facilitates the voluntary improvement of CG among companies. These guidelines are encapsulated in the code of best practices for CG, providing a blueprint for companies to elevate their governance practices voluntarily.

Significantly, in September 2022, the commitment was further emphasized through the organization's rebranding to the Korea Institute of Corporate Governance and Sustainability (KCGS), symbolizing a strengthened dedication to integrating sustainability into the core of CG. Operating as a not-for-profit association under Article 32 of the Civil Act, KCGS is at the forefront of guiding the South Korean capital markets towards a more sustainable and ethical future. It aims to foster the sound development of these markets by charting a course for companies to achieve sustainable growth. This is accomplished through meticulous analysis, research, and ratings that assess companies' adherence to environmental and social responsibilities alongside maintaining healthy and transparent governance. KCGS's membership comprises capital market-related organizations, further illustrating the collective effort toward elevating CG standards. Thus, KCGS's initiatives have been pivotal in aiding listed companies in Korea to enhance their governance structures. This includes the establishment of a CG framework through the publication and continuous update of the code of best practices for CG, in setting standards for audit committees and evaluating the governance practices of listed companies.

This concerted effort by KCGS underscores South Korea's proactive stance on embedding sustainability and CSR into the industry of its corporate sector, marking a significant step toward achieving global sustainability goals and

fostering a transparent, responsible corporate ecosystem for firms that choose to adhere to CSR policies.

8. CONCLUSION

In conclusion, the intricate relationship between chaebols and CSR in South Korea presents a multifaceted landscape characterized by both advancements and challenges. Despite a progressive shift towards the adoption of CSR practices, issues concerning the authenticity and ethical implications of these initiatives persist. The evolution of CSR within chaebols mirrors a global movement towards the integration of social responsibility into core business operations, underscoring the necessity for a deep-rooted transformation in corporate culture and governance structures. This transformation is vital for ensuring CSR transcends its perceived role as a mere public relations tool and becomes ingrained in the corporate identity of the chaebols.

The South Korean government's role in facilitating the adoption of CSR practices highlights a positive shift toward enhancing corporate governance and accountability. Through legislative measures, guidelines, and the establishment of committees and institutions like the KCGS and the KFTC, the government has actively promoted ethical conduct and sustainability management. These efforts, aimed at fostering a more sustainable and equitable business environment, underscore the potential for CSR to contribute meaningfully to societal well-being when supported by a commitment to genuine change and collaboration among stakeholders.

As we reflect on the journey of CSR in South Korea, it becomes evident that while significant strides have been made, the path towards fully integrating CSR into the ethos and strategic planning of corporations remains a work in progress. The future of CSR in chaebols, therefore, hinges on a collective effort to redefine corporate success, not just in terms of financial performance but as a measure of social and environmental impact. This redefinition is crucial for building a more sustainable, responsible, and inclusive corporate sector that not only meets the demands of the present but is also prepared to address the challenges of the future.

NOTES

1. STEM is an approach to learning and development that integrates the areas of science, technology, engineering, and mathematics.
2. See, for instance, <https://eng.sk.com/companies>
3. <https://eng.sk.com/social-value/sustainability-reports>
4. See, for instance, the Hyundai Motor Chung Mong-Koo Foundation <https://www.hyundai-cmkfoundation.org/en/main>, or the Asan Namun Foundation

<https://asan-nanum.org/eng/>, a nonprofit foundation established in October 2011 to commemorate the 10th anniversary of the death of Hyundai founder Chung Ju-yung, which carries out various programs throughout society to spread entrepreneurship and cultivate and support the individuals and institutions that propel transformation toward a more improved world. A foundation dedicated to young entrepreneurs and social innovators, this foundation will serve as a platform for them to engage in challenges, develop their skills, and exchange ideas, all under a shared vision of “A world where if you believe it, you can achieve it.”

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LG Group: <https://www.lg.com/in/lg-india-corporate-social-responsibility/>

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