

Chapter 7 Teaching Guide

Sustainability in South Korea

1. Chapter Overview

Chapter 7 examines South Korea's sustainability landscape through the interaction of chaebol governance, rapid economic development, demographic stress, and geopolitical risk. It highlights why Korea is often misunderstood when compared with Japan or China, and why sustainability outcomes in Korea are shaped by a unique combination of speed, concentration of power, and reform volatility.

The chapter emphasises that Korea's sustainability trajectory is defined by tension: between innovation and governance, global competitiveness and domestic inequality, reform momentum and political instability. While chaebols enable rapid execution and global scale, they also concentrate control and weaken minority shareholder protection. At the same time, demographic collapse, gender inequality, and geopolitical exposure are forcing companies and investors to reassess long-term sustainability risks.

Through regulatory analysis, case examples, and interviews with local experts, the chapter demonstrates why Korea is both high-risk and high-opportunity for sustainability-oriented investors and executives.

2. Key Learning Objectives

After completing this chapter, students should be able to:

1. Explain how chaebol dominance shapes sustainability outcomes in South Korea.
2. Distinguish Korean business culture from Japanese and Chinese models.
3. Understand Korea's regulatory and supervisory architecture and its ESG implications.
4. Analyse the causes and consequences of the "Korea Discount."
5. Assess how demographic collapse affects labour markets, productivity, and ESG risks.
6. Evaluate geopolitical risks affecting Korea's sustainability and investment outlook.
7. Identify sustainability-linked growth opportunities in technology, energy, and culture.

3. Summary of Key Points (Instructor Version)

- Korean business culture combines Confucian hierarchy with fast, top-down decision making.
- Chaebols drive innovation and scale but weaken governance and minority shareholder protection.
- Regulatory oversight is sophisticated, but enforcement struggles to keep pace with innovation.
- Political volatility creates regulatory uncertainty and frequent policy resets.
- Demographic collapse is a systemic sustainability risk affecting labour, consumption, and social cohesion.
- Gender inequality and youth unemployment exacerbate long-term workforce challenges.
- The “Korea Discount” reflects governance concerns, geopolitical risk, and capital allocation issues.
- Korea offers strong opportunities in EV batteries, hydrogen, semiconductors, AI, and cultural exports.
- Long-term sustainability success depends on governance reform, talent strategy, and geopolitical awareness.

4. Teaching Guidance: How to Use This Chapter

a. Recommended Teaching Approach

This chapter works best as a country deep-dive following Japan (Chapter 6), enabling comparison between:

- Japan's consensus-driven, governance-led model
- Korea's speed-driven, chaebol-centric system

It is particularly suitable for:

- MBA / EMBA courses on Asian markets or global strategy
- Executive education for investors and multinational leaders
- Stewardship and governance training
- Courses on political economy and sustainability

The chapter supports case discussion, scenario analysis, and governance critique.

b. Suggested Class Flow (90 minutes)

- i. Opening contrast (10 minutes)

Ask students:

“Why can Korea move faster than Japan—and yet face deeper governance risks?”

- ii. Business culture and chaebols (20 minutes)

Discuss:

- Speed vs consensus
- Family control vs minority rights

- Innovation vs transparency

iii. Regulatory and political volatility (20 minutes)

Explore:

- FSC / FSS / KRX roles
- Impact of political cycles
- Enforcement gaps

iv. Structural sustainability risks (25 minutes)

Group analysis of:

- Demographic collapse
- Gender inequality
- Youth unemployment
- Korea Discount

v. Opportunities and synthesis (15 minutes)

Examine:

- EV batteries, hydrogen, semiconductors
- Automation and robotics
- Cultural exports (K-content)

5. Common Student Misconceptions to Address

- Korea's governance challenges are similar to Japan's
- Innovation automatically implies good ESG performance
- Political volatility is temporary rather than structural
- Demographics are a long-term issue with limited near-term impact
- Chaebols are uniformly negative for sustainability

Instructors should redirect discussion toward trade-offs, incentives and institutional design.

6. Instructor Tips for Effective Discussion

- Encourage comparison with Japan and Greater China.
- Separate innovation capability from governance quality.
- Use succession and intragroup transaction examples to illustrate risk.
- Highlight demographics as a core ESG issue, not a peripheral social topic.
- Emphasise why governance reform is central to closing the Korea Discount.

7. Suggested Supplementary Readings (Optional)

Governance & Markets

- ACGA. *CG Watch – Korea*
- Korea Exchange. *Value-Up Program*
- OECD. *Corporate Governance in Korea*

Demographics & Society

- Statistics Korea demographic projections
- OECD. *Labour Market Outlook – Korea*

Geopolitics & Industry

- UNCTAD. *World Investment Report*
- USTR. Semiconductor and trade policy briefings

8. How This Chapter Connects to the Rest of the Book

Chapter 7 builds on Chapters 5 and 6 by examining a high-speed, high-concentration Asian market where sustainability outcomes are shaped by governance reform, demographic pressure, and geopolitical exposure. It reinforces the book's central theme: ESG success in Asia depends on understanding institutional context, not applying uniform frameworks. The chapter also sets up later discussions on stewardship escalation, governance reform, and managing political risk.