



# Executive Report

## Succeed In Korean Business by Understanding Korean Company Hierarchy

### Understanding Hierarchy in Korea is Key to Your Success

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Westerners doing business in Korea often believe they understand the nature of hierarchy within Korean business culture. While many of us may have a vague idea that such concepts exist, few understand the depth and importance of hierarchy within the Korean business world.

The primary reason business cards are so important in Korean business is that they help communicate the position of each person in the company hierarchy. Rank is built into the social fabric of Korean society, and you cannot ignore this important fact if you expect to successfully promote business there.

Rank in Korea can be based on many things, but in business it starts with job position. Age is nearly as important, mainly because job position and age generally go hand-in-hand. And educational level and relative time spent in the company are

considerations, too. In addition, the relative standing of different companies can come into play when people from two companies get together.

### Hierarchy is Even Built into the Korean Language

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Probably one of the hardest areas for foreigners to grasp when learning Korean is the various ways in which the language requires the speaker and listener to understand and express how various players fit into the social hierarchy. This is far more complex in Korean than the “tu/usted” concept of Spanish; Korean speakers must be aware of and reflect the relative positions of the speaker, listener and 3<sup>rd</sup> persons being spoken about at all times.

Respect is shown through various forms of honorific grammatical tags attached to nouns and even special nouns and verbs used exclusively to show respect and



formality. In Korean, respect can also be expressed through sentence endings. And these aren't just optional lessons that can be tagged on to the end of a short Korean-language course. There is no "neutral" way to communicate in Korea and you cannot properly utter even simple sentences or greetings without the implication of respect or disrespect.

## There Are No "Flat" Korean Organizations

Language powerfully reinforces the hierarchical social structure in Korea and it is inconceivable that Koreans in a business setting would communicate and interact with each other in ways that do not follow these social norms. Clearly, the primary determinant of rank in business is job position, but even at the same job position, some people will be older or will have been in their positions longer and these are also useful ranking mechanisms. And because age and social level correlate so strongly, typical large Korean companies stick strictly to a traditional model of promotion that keep the oldest people at the top of the organizational structure and the younger employees at the bottom without much merit-based promotion.

Of course, these tendencies are less pronounced today than in the past and not every Korean organization puts as much emphasis on age and structure.

## Little Interaction Between Equals

In business, interaction between equals generally occurs when people from different companies get together. In such cases, even when their relative ranks differ a bit (or in some cases, a lot), the two will still speak to each other at the highest level of respect. This maintains personal distance and ensures that in such a situation where relative rank is not defined within a single organization, neither can take offence at having been slighted. In general, those outside of one's circle are treated with arm's-length formality and respect.

## Foreigners Are Exempt

Foreigners are, by definition, outsiders. Thus, you can expect to be treated at the highest level of respect and care by your Korean counterparts. Don't mistake this as true friendship but it is certainly something to be appreciated. As the respected outsider visiting Korea on business, you will generally be treated to at least one delicious meal that you won't be expected to pay for. At the same time, you should make sure to keep up the "friendly" atmosphere by not trying to force Western norms and expectations onto the situations you find yourself in.



## Nuts and Bolts of Large Korean Company Business Hierarchy

The following is the standard job position ranking system within leading companies of Korea. While not every company is identical in this regard, differences are most notable by their absence.

| English                            | Korean |  |
|------------------------------------|--------|--|
| Chairman                           | 회장     | Mainly used for the head of a large business group. If you find yourself meeting a Chairman, you are likely in the presence of a very important person indeed! |
| President                          | 사장     | Sometimes called “Representative Director” to reflect a peculiarity of Asian company governance structure.   |
| Vice-President                     | 부사장    |  |
| Executive Senior Managing Director | 상무이사   |  |
| Senior Managing Director           | 전무이사   |  |
| Managing Director                  | 전무     |  |
| Director                           | 이사     |  |
| General Manager                    | 부장     |  |
| Deputy General Manager             | 차장     |  |
| Manager                            | 과장     |  |
| Assistant Manager                  | 대리     |  |
| “Employee”                         | 사원     | Refers to all entry-level employees  |

In nearly every case, employees start at the bottom and work their way up. The rare exception to this is where a former high-level government official retires from government work and lands a job at the top of one of these large companies. Those with very high academic qualifications (or relatives of the president!) can “jump the line” too and enter top management directly.

Employees from “general manager” on down are considered working-level. The rank of “general manager” is the highest job position reached by many employees who are not considered by the company to be top-executive material and general managers who have been in their position for longer than expected will often resign. In fact, at every level, it is generally expected that people not keeping up with



the standard promotion schedule will take the hint and resign rather than being fired. In some cases, an employee may be allowed to ignore the hint and remain in his increasingly miserable position for awhile.

Also, persons at each level do not strictly report to the rank immediately above them. For example, while a manager may informally have responsibility to make sure that an assistant manager under him is doing his job, the general manager is likely the person to whom the deputy general manager, manager and assistant manager all report. Likewise, a senior managing director typically reports directly to the president, as do most of the other top executives.

There is one more position here deserving of special mention and which is becoming increasingly common in Korea. It is the “team leader,” a position often held concurrently with one’s official position and gives the title-holder a certain degree of prestige. The term “team leader” remains outside the standard hierarchy and denotes the person in charge of a group of people, often on a temporary or semi-permanent basis. When multiple people in a team have the same official job title, the one with the “team leader” co-title is considered the superior.

## Small Companies Have Hierarchies, Too

Most small companies have someone called “President”, but the hierarchy won’t be anything like as structured or multi-layered as a large company. In a small company,

the president may portion out job positions more for the purpose of clarifying rank than to create a structure of command and control.

Memorizing the twelve standard job positions listed above for large companies can help you to understand the rank of each person even in a small company since you will never find a situation where a “director” is lower in rank than a “manager.”

You will encounter a few more job titles, such as “office manager” or “consultant,” which do not fit the standard hierarchy, but these usually occur only in very small companies or where someone is working for himself. If in doubt, you can always ask.

## Leveraging Your Understanding of Korean Company Hierarchy

What is the easiest and quickest way to understand relative ranks of persons within Korean companies? Business cards, along with the information in this executive report, clearly delineate rank and help you interface with your counterpart company quickly.

Once you know this, each person in your group should make it a point to interact mainly with the person who best matches his or her rank in the corresponding company. Seating at the table, the order of people walking down the hall or street (top-ranked people always walk first!), who talks to whom on a personal basis and authority in decision-making all strictly

follow this hierarchy. Even getting “ahead of yourself” in activities as ordinary as standing in line at the cafeteria can cause offense!

You will make the most enduring decisions (in many cases, lower-level people cannot really make any decision at all) when the top person in your group is of equal rank to the top person in your Korean counterparts’ group. This means if you are going to Korea for an important meeting where you expect to meet the president of

an important and large company, you should make sure your entourage is led by your president and the hierarchical structure of your group is clearly defined. The exception to this rule would be where the sizes of the two companies are significantly unequal.

Even if your company does not use job titles back home, you should be sure to come up with them for your business cards in Korea because you’ll really confuse your hosts otherwise.

## Transferring These Lessons to Japan and China

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While Korea, Japan and the Chinese-language region (China, Taiwan and Hong Kong) are separate countries and cultures with individual characteristics, there are still a striking number of ways in which, to the eyes of a Westerner, they are similar. In general, the business cultures of Korea and Japan are more similar to each other than they are to the Chinese region.

Most, but not all, of the lessons here apply equally well throughout E. Asia. Due to its recent history, priority for rank in China should be based on a slightly different order: 1) job position, 2) income, 3) educational level, 4) time in the company and 5) age.

## About Korean Consulting & Translation Service, Inc.

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Korean Consulting & Translation Services, Inc. ([www.koreanconsulting.com](http://www.koreanconsulting.com)) is a premier provider of Korean translation services to clients around the world but primarily to N. American companies, government agencies and educational institutions. The company also offers a range of higher-value consulting and business services.



## About Steven S. Bammel

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A graduate of the University of Texas at Arlington (College of Business Administration), Steven S. Bammel worked in Seoul for nearly five years as an employee of the LG Group of South Korea. During that time, he promoted international business for several Korean companies and edited/translated hundreds of documents. He also learned about Korean business practices from the inside.



For several years, Steven, his wife Myunghee and two children Treasure and Cauvery, shared their time between Irving, Texas and the company's corporate quarters near Seoul, Korea but have recently returned to Korea while Steven studies at the Graduate School of Business Administration at Hanyang University and further develops his unique Korean business perspective.

Steven can be reached most conveniently by email to [sbammel@koreanconsulting.com](mailto:sbammel@koreanconsulting.com)