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# Anticipating Korea’s corporate governance trajectory: Global benchmarks and a navigational framework

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Korea’s governance reform is accelerating, but ownership realities remain. This article, available in English and Korean, benchmarks global models and presents a practical framework to strengthen transparency, discipline, and investor trust.

**Executive Summary**

**Problem**
South Korea is entering a new phase of corporate governance reform. Long-standing concerns around the “Korea discount” driven by complex ownership structures, limited transparency, and weak minority shareholder protection, have weighed on valuations and investor confidence. In response, the government has launched governance-focused reforms to revitalize the equity market and attract global capital.

**Why it happens?**
While the direction of reform is clear, the destination is not. Korea’s corporate landscape is shaped by concentrated family ownership that cannot be dismantled without economic and social disruption. Global models offer useful reference points, but none can be directly applied. The challenge is anticipating how Korea’s governance framework is likely to evolve, while navigating rising investor expectations without forcing destabilizing ownership change.

**Why it happens?**
Apply Structure–Discipline–Dialogue framework that enables Korean companies to meet higher governance standards while preserving the benefits of long-term ownership. Rather than changing who owns Korean companies, the framework shows how control can be exercised more transparently, disciplined more effectively, and explained more clearly in capital markets.

South Korea is entering a new era of corporate governance. For decades, global investors have referred to the “Korea discount,” driven by structural features such as complex ownership structures, limited transparency in corporate decision-making, and weak protection of minority shareholders.

In an effort to revitalize the equity market and redirect capital toward listed companies, the

Korean government has set an ambitious target of lifting the KOSPI index to 5,000 by addressing long-standing governance challenges. To support this objective, a series of policy initiatives and regulatory reforms have been introduced, contributing to the index rising above the 4,700 level[1].

The direction of travel is clear. Korea is moving toward a corporate governance model that must be able to compete globally for capital[2]. To understand where this trajectory may lead, it is useful to benchmark Korea against three reference points.

### Nordic model: transparent concentrated ownership and minority protection

Nordic corporate governance architecture represents a distinctive equilibrium between concentrated ownership and robust investor protection. In Denmark, Sweden, Finland, and Norway, corporate systems explicitly recognize and support powerful controlling shareholders, such as families, industrial foundations, and blockholders[3]. Unlike dispersed-ownership systems, this concentration of control is balanced by some of the world's most rigorous frameworks for minority shareholder rights and equal treatment.

This dual structure reflects the region's institutional DNA; small, export-driven economies where family capital and long-term strategic ownership were essential to building global enterprises, yet embedded within societies shaped by social democracy, egalitarian values, and a consensus-driven political culture that demanded safeguards against abuse of power.

The core foundation lies in mandatory equal-treatment provisions, extensive shareholder veto rights, and independent board oversight. Related-party transactions, common in concentrated-ownership systems, are permissible but must occur on market terms and under full public disclosure. Nordic boards are typically compact, relationship-aware, and strategically engaged, while progressively becoming more skills-based and inclusive of independent directors capable of constructively challenging both management and controlling owners. Importantly, board members owe their fiduciary duties to the company and all shareholders as a whole, and are not permitted to favor controlling or large shareholders at the expense of minorities.

Transparency toward capital markets, minority shareholders, and the public is exceptionally high, reducing information asymmetry and reinforcing investor trust. This is reinforced by legal regimes that attach personal liability to board decisions, creating meaningful accountability beyond reputational considerations.

In essence, Nordic model combines the advantages of long-term, engaged ownership, strategic stability, clarity of purpose, and nimble decision-making, with institutionalized safeguards that ensure accountability. The result is one of the world's most trusted corporate environments, reflected in high global rankings for governance quality, corruption control, and shareholder protection. For Korean conglomerates seeking to modernize their governance practices, the Nordic experience demonstrates that concentrated ownership can coexist with fairness and transparency, if supported by rigorous disclosure, empowered independent boards, and enforceable fiduciary standards.

### U.S. model: dispersed ownership and institutional stewardship

The U.S. has charted a very different route, built around dispersed share ownership and a large community of institutional investors that share stewardship responsibilities. ERISA in 1974 accelerated this shift by pushing pension funds to diversify and act as fiduciaries, and by the early 2000s institutions held the bulk of U.S. listed equities[4]. No single investor usually controls a firm, but influence is exercised collectively through proxy voting, engagement and shareholder proposals.

Big asset managers and pension funds operate under published stewardship and voting policies that focus on long-term value, capital discipline and governance standards. Independent boards are a key feature, with independent majorities and fully independent audit, compensation and governance committees, backed by extensive SEC disclosure rules[5]. At the same time, the system faces well-known issues: dispersed ownership can weaken direct accountability, and asset managers themselves face agency and incentive problems. For Korea, the U.S. model highlights the potential of building a stronger domestic institutional investor base under a robust stewardship code, to increase accountability and transparency even where controlling owners remain in place.

### Japanese reform model: unwinding relationship-based governance

Japan’s older governance model, built on dense cross-shareholdings, main-bank ties and long-term employment, helped its post-war growth but later held back capital efficiency and returns. Since Abenomics, reform has centerd on the Stewardship Code and Corporate Governance Code, which push for more independent directors, reduction of cross-shareholdings, better disclosure and closer investor engagement[6].

Pressure from regulators and investors has led to a steady but significant reduction in strategic cross-shareholdings, which are now at historic lows in many listed firms[7]. Boards are being asked to justify any remaining holdings and to align pay and capital policies more tightly with performance and market expectations. Even so, evidence suggests that formal reforms need to be matched by cultural and behavioral change to fully shift management practices. For Korea, Japan’s path illustrates how to reform cross-shareholdings, strengthen independent boards and improve capital discipline without forcing family groups to give up control.

### Implications for Korea based on the benchmark governance models

The three models tackle the same core problem in different ways: how to keep the benefits of concentrated or long-term ownership while protecting minority investors and market integrity. The Nordics lean on equal-treatment rules and strong minority rights, the U.S. on dispersed ownership with active institutional stewardship, and Japan on gradual structural reform and market discipline within long-standing ownership structures.

For Korea, the most promising route is a hybrid model tilted toward more embedded protection model. A modern Korean governance framework could combine Nordic-style transparency and structurally embedded minority protection, U.S.-style stewardship and disciplined investor engagement as a complementary enforcement mechanism, and Japan's step-by-step approach to unwinding cross-shareholdings and strengthening board practices. This would preserve the advantages of committed family or foundation ownership, while adding the structure, discipline, and dialogue needed to reduce the Korea discount and make Korean companies more credible and investable for global capital on comparable terms[8], [9].

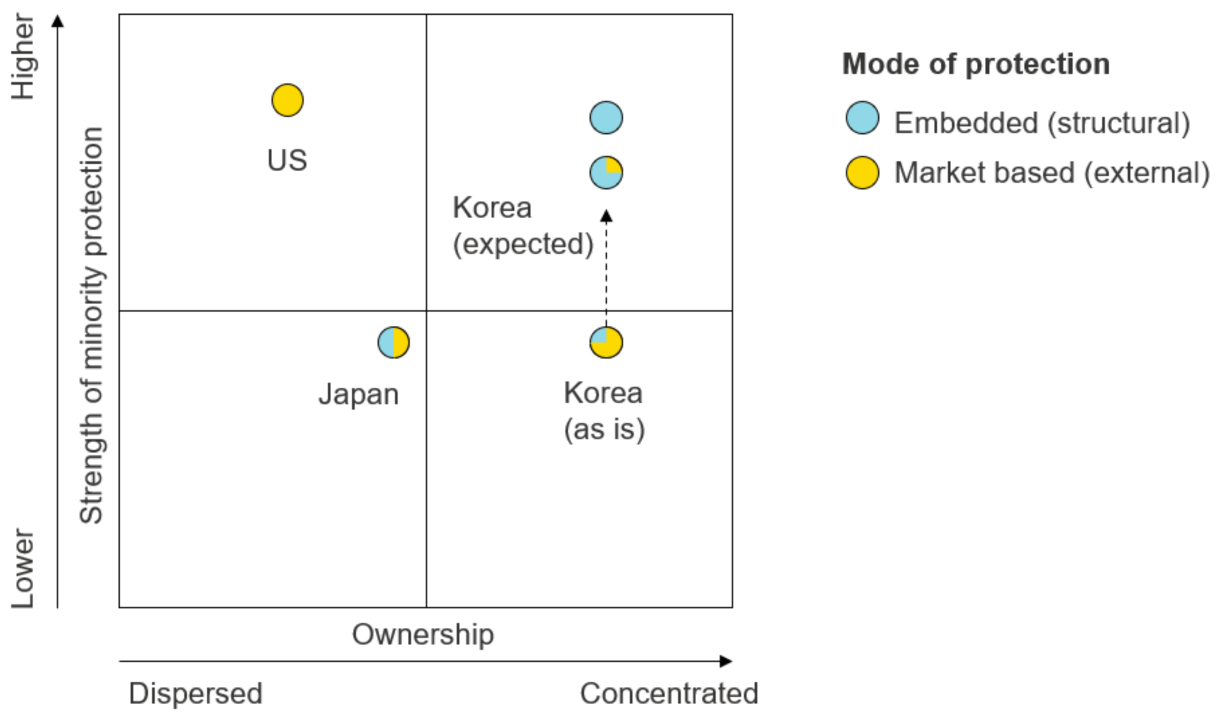


Figure 1. Comparison of corporate governance models by countries

### A practical framework for Korean companies to advance corporate governance

Discussions of corporate governance reform in Korea often quickly turn to the question of ownership. Yet ownership is among the most sensitive and least tractable dimensions of governance change. Concentrated family or foundation ownership is deeply embedded in Korea's corporate landscape, closely tied to long-term strategy, capital commitment, and managerial continuity. Calls to dismantle or radically dilute ownership structures are therefore not only politically and socially contentious, but also risk undermining the very strengths that have supported the growth of many Korean companies.

Against this backdrop, the more practical question for companies is not whether ownership structures should change, but how governance expectations can be met without forcing disruptive ownership reform.

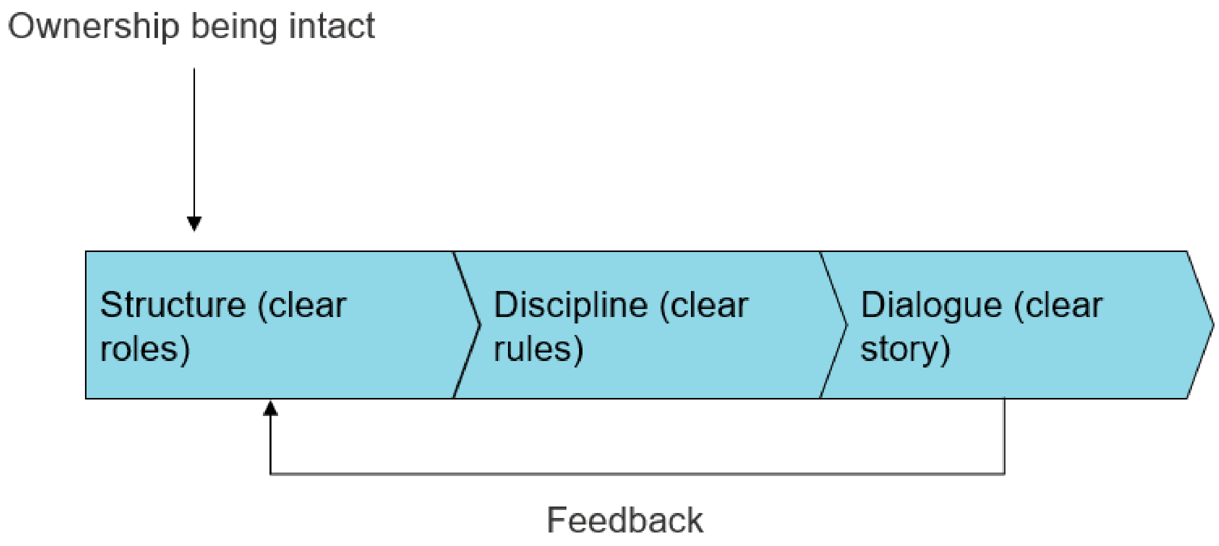


Figure 2. Structure–Discipline–Dialogue framework

The Structure–Discipline–Dialogue framework can support Korean companies facing rising governance expectations. Rather than advocating dispersed ownership or the wholesale adoption of any single foreign model, it shows how companies can adapt selectively by reshaping how control is exercised, overseen, and explained while preserving the benefits of long-term ownership.

The framework focuses on a limited set of concrete actions from simplifying control structures and empowering boards to strengthening shareholder rights, formalizing capital allocation, upgrading disclosure, and institutionalizing investor engagement.

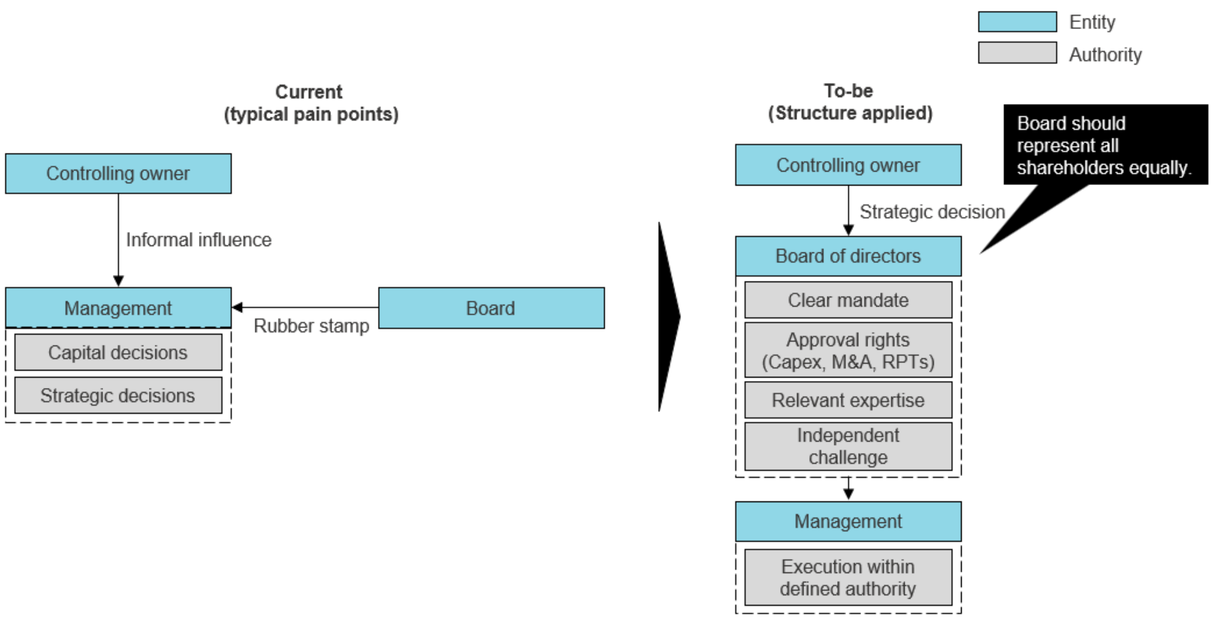


Figure 3. Illustration of “Structure”

Structure addresses how control and oversight are organized. It draws on the core principle from the Nordic model that the Annual Shareholders’ General Meeting elects a board that is mandated to represent all shareholders equally, rather than favoring a single controlling owner. Simplifying ownership and control structures and making them transparent clarifies where decision-making authority sits, while strengthening boards through clearer mandates, greater independence, and relevant expertise creates an effective internal counterweight to controlling shareholders. Crucially, this does not dilute ownership or voting power; it embeds accountability within the governance structure itself, reducing reliance on regulatory intervention or external pressure.

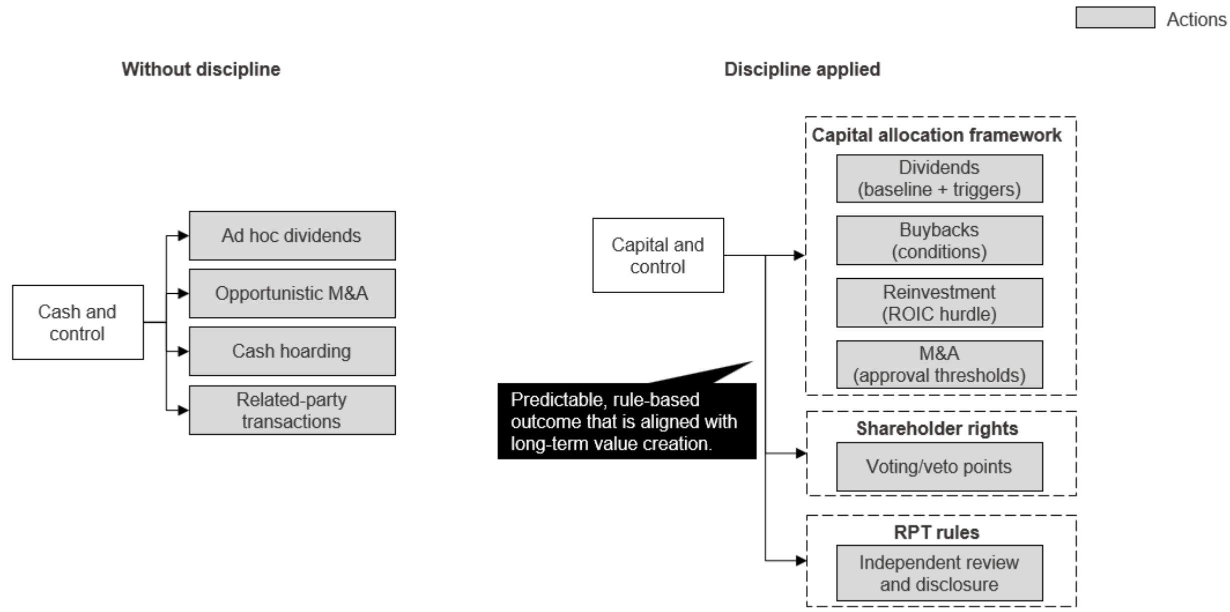


Figure 4. Illustration of “Discipline”

Discipline governs how control is exercised. Stronger shareholder rights and clearly codified capital allocation principles for dividends, buybacks, reinvestment, and M&A limit discretionary decision-making and anchor the use of corporate resources in economic logic. In this way, concentrated ownership is retained, but its outcomes become more predictable, rule-based, and aligned with long-term value creation.

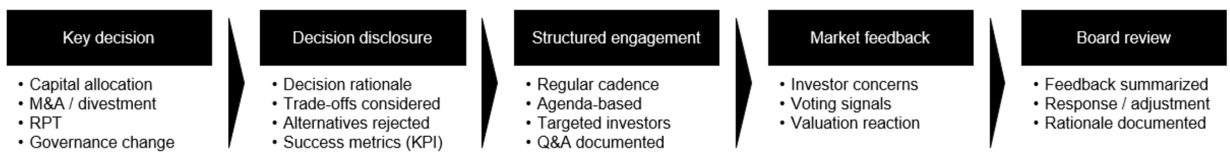


Figure 5. Illustration of “Dialogue”

Dialogue shapes how companies interact with capital markets. Higher-quality disclosure and regular, structured investor engagement reduce information asymmetry and allow governance and capital decisions to be evaluated on an ongoing basis. This is not about ceding control to activists, but about ensuring that decisions taken within the firm are visible, explainable, and contestable through established channels.

Taken together, Structure–Discipline–Dialogue can provide Korean companies with a way to respond proactively to a changing governance environment without dismantling their ownership model. Concentrated ownership remains intact, but it operates within clearer structures, stronger internal discipline, and more open dialogue with investors. By narrowing discretion rather than ownership, the framework directly addresses the factors that continue to weigh on valuations – opaque control, limited board challenge, discretionary capital allocation, and weak communication with the market.

The objective is not to change who owns Korean companies, but to equip companies with a practical framework for navigating governance change, one that is compatible with Korea's corporate realities and credible to global capital.

**Conclusion**

Korea's governance reform is not about copying foreign models or dismantling ownership, but about making concentrated control more transparent, disciplined, and credible to global investors. International experience shows that valuations improve when discretion is constrained by clear structures, strong boards, and predictable capital policies.

The Structure–Discipline–Dialogue framework provides a practical way to embed accountability, formalize capital discipline, and normalize investor engagement without weakening long-term ownership. Applied consistently, it can directly address the Korea discount and support a more investable and competitive Korean equity market.

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On April 1, 2026, The Digital Times interviewed Per Stenius, Client Director at Reddal, and Holim Wang, Manager at Reddal. The discussion was based on insights from this article.

The interview highlighted the structural drivers of the Korea Discount, emphasizing the importance of transparency, disciplined governance, and credible long-term vision in strengthening investor trust. It also underscored the relevance of a hybrid governance approach, combining European minority protection, U.S.-style market discipline, and Japan’s gradual reform path, as a practical direction for enhancing corporate value and capital market resilience in Korea.

Read the full interview in Korean, available at "□□□□ □□□□ □□, □□□ □□□ □□" | □□□□□□

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Continuing this discussion, Per Stenius and Holim Wang contributed a column on this topic to Aju Business on April 6, 2026.

The column highlighted the importance of implementing the “Structure–Discipline–Dialogue” framework, centered on transparent ownership and accountable boards, disciplined capital allocation, and stronger, more consistent communication with investors.

The authors also emphasized that steady, incremental governance reforms, rather than abrupt shifts, are key to rebuilding trust, attracting global capital, and strengthening the long-term competitiveness of Korea’s capital markets.

The column in Korean can be accessed via Aju Business, available at [□□□ □□] □□ □□ □□□□□ □□□ □□ □□□□□□ □□.

An English version of the column is also available via Aju Press and can be viewed from OPINION: Governance question lingers behind Korea's market rollercoaster.