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**STAKEHOLDERS OF MULTINATIONAL COMPANIES: THE CASE OF KOREAN
MULTINATIONAL COMPANIES IN BRAZIL.**

**STAKEHOLDERS DAS EMPRESAS MULTINACIONAIS: O CASO DAS EMPRESAS
COREANAS MULTINACIONAIS NO BRASIL.**

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I dedicate my dissertation work to my family that has always supported and waited for me at a distance.

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**“He that will not sail, till, all dangers are
over must never put to sea”**

Thomas Fuller

RESUMO

O objetivo deste estudo é investigar a diferença entre as características dos stakeholders no Brasil e na Coreia do Sul que são percebidas pelos gestores de empresas multinacionais coreanas (Todo o trabalho está baseado em dados da Coreia do Sul, e “Korea” e “Korean” devem ser interpretados como relacionados a este país). Em negócios internacionais, o ambiente das multinacionais tornou-se desafiador para as empresas que decorrem de ambientes multidimensionais dos países, tais como macroeconômico, cultural, político e legal, entre outros. Logo, a gestão dos stakeholders em um ambiente diferente começou a influenciar o desempenho dos gestores das empresas multinacionais também. Sendo assim, a fim de verificar os principais stakeholders e as questões relacionadas a eles como o foco em gestão estratégica, analisaram-se empiricamente e compararam-se as características dos stakeholders no Brasil e na Coreia do Sul. A coleta de dados foi realizada por meio de entrevista em profundidade com gerentes sul coreanos de diversas empresas multinacionais sul coreanas operando no Brasil, pertencentes ao departamento que interage diretamente ou indiretamente com stakeholders locais no Brasil. Segundo a análise dos dados, dentre as dez categorias de stakeholders identificadas por Clarkson, as empresas coreanas estão interagindo principalmente com oito stakeholders: empregados, instituições financeiras, clientes, fornecedores, governos, associações de classe, sindicatos e mídia, e não há interação efetiva com as outras duas categorias de ONG e comunidade no Brasil, mas também não existem diferenças em suas características entre Coreia do Sul e Brasil. Em relação às características distintas dos stakeholders locais comparados com os stakeholders na Coreia do Sul, identificaram-se cinco características com empregados, três com governos, três com instituições financeiras, duas com clientes, duas com fornecedores e uma com associações de classe. Contudo, não se identificaram diferenças com a mídia. Os gerentes notaram que todas as características dos stakeholders são mais ingerenciáveis no Brasil do que na Coreia do Sul, com exceção dos clientes. Apresentaram-se grandes diferenças na gerenciabilidade com empregados, fornecedores, instituições financeiras e associações de classe; menores diferenças com governos, sindicatos e mídia, nesta ordem. Analisando as diferenças da influência dos stakeholders nos dois países, ficou claro que não existem diferenças em clientes, sindicatos e associações de classe; pouca diferença foi identificada em relação às instituições financeiras e fornecedores e grande diferença em governos e mídia. É difícil encontrar um estudo que não apenas compare as características dos stakeholders, mas também compare as especificidades dos países. Os resultados desta comparação entre características pode auxiliar os gestores a compreender as causas e estratégias existentes para os problemas, assim como efetivamente estabelecer estratégias para gestão de stakeholders. Todavia, considerando as limitações deste estudo, que coletou dados de poucas indústrias, nas pesquisas futuras haverá a necessidade de conduzir um estudo mais abrangente, coletando dados de todos os tipos de indústria. Dessa forma, será possível generalizar as características dos stakeholders. Além disso, necessita-se realizar estudos quantitativos em relação às características apresentadas como um resultado posterior a este processo de análise e então os pesquisadores poderão verificar estatisticamente as influências dos stakeholders nas empresas multinacionais.

ABSTRACT

The objective of this study is to investigate the difference between stakeholders' characteristics in Brazil and in Korea which are perceived by managers of Korean MNCs (This study has been conducted based on data collected from South Korean companies so whenever "Korea" and "Korean" are mentioned, they should be interpreted as relating to South Korea.) In international business, the multinational environment has become challenging to MNCs, which stem from the multidimensional environments of the countries, such as macroeconomic, cultural, political and legal environments, among others. That is, managing stakeholders in a different environment has become influential to managerial performance of MNCs as well. Thus, in order to identify the main stakeholders and issues related to them as management strategic focus, the stakeholder's characteristics of Brazil and Korea were compared and empirically approached. The data collection was done through in-depth interviews with the Korean managers of several Korean multinational companies operating in Brazil, who belong to the department that deals with local stakeholders either directly or indirectly in the host country. According to the data analysis, among the ten categories of stakeholders identified by Clarkson, the Korean companies are mainly interacting with eight stakeholders: employee, financial institution, customer, supplier, government, trade association, labor union and media, and there is effectively not only no interaction with the other two categories of NGO and community in Brazil but also no difference in their characteristics between Korea and Brazil. In reference to the distinct characteristics of the local stakeholders compared to the stakeholders in Korea, five characteristics were identified with employees, three with governments, three with financial institutions, two with customers, two with suppliers and one with trade associations, but no difference was identified with media. Managers perceived that all kinds of stakeholders are more unmanageable in Brazil than in Korea, excepting the customers. It was shown that there is a bigger difference of that manageability with employees, suppliers, financial institutions and trade associations and less difference with governments, labor unions and media, in this particular order. Analyzing the difference of the stakeholder's influence between the two countries, it was established that there is no difference in customers, labor unions and trade associations, there is a little difference in financial institutions and suppliers, and a bigger difference in governments and media. It is a difficult situation to find not only the study that compares the characteristics of the stakeholders but also the comparative study that deals with specific countries' cases. The result of this comparison among the characteristics can help managers grasp the causes and existing strategies analyzed for the problems, as well as effectively establish strategies to manage the stakeholders. However, because of the limitations of the study, which collected data from only a few industries, in future research there will be a need to conduct a comprehensive study with data collected from all kinds of industries. Then, it will be possible to generalize stakeholders' characteristics. In addition, quantitative studies need to be done in relation to the characteristics presented as a result after this analysis process so that the researchers will be able to verify the influences of stakeholders on the multinational companies statistically.

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1. INTRODUCTION

It has been widely observed that the globalization of the firms has been highlighted in the world economy and has become integrated over the past century. In particular, it has been sped up by a number of major events, including the downfall of communism, opening of China and radical economic and political shift in many countries of Latin America in previous decades (CMCG, 2003). During that time, MNCs (Multinational Companies) have played a leading part by facilitating global market integration for goods and services, and FDIs numerically decupled from 1990 to 2012, while the amount of export and import of goods and services increased only five times during the same period (UNCTAD, 2013).

Yet, even though today the perception of MNCs has changed towards contributing to the local market, some conflicts are still occurring due to the misjudgment of the local environment. According to Luo (1997) “various components in the national environment, for example, macroeconomic, political-legal and socio-cultural, are highly dynamic, volatile, and unpredictable.” Because of the complexities, managing the relationship between the firm and its surrounding environment, including different stakeholders, is considered one of the important tasks in corporation management. (AMAESHI; CRANE, 2006). Furthermore, Luo (1997) asserted that “to gain the competitive advantage in the multiple environments of the local market it is important for MNCs to maintain a managerial tie with local stakeholders”.

Thus, analyzing the local stakeholders must be an important matter to understand local markets and help the subsidiary management of MNCs. Furthermore, analyzing local stakeholders by comparing them with those from the country of origin on the perception of the managers may help to discuss possible matters to reduce potential misunderstandings between the subsidiaries and the headquarters of MNCs. Despite the increasing impact of MNCs on the local markets and their conflicting interactions with local stakeholders, the stakeholder management theory does not give us any insight to deal with. Research focusing on the nuanced relationship with local stakeholders in contrast with stakeholders from the country of origin in the multiple environmental aspects is still lacking. Thus, this study intends to shed light on the less treated discussion in the stakeholder theory from the evidence and existing literature.

In addition, Korean Multinational Companies (KMCs) may be good subjects for the study. That is because even though actually Brazil became a large market to the KMCs, they are likely to have less experience with this market than other emerging markets in the world and they are often undergoing trial and error in managing the issues occurred from the interaction with local stakeholders. Consequently, these cases can help new investors by anticipating the potential problems that arise from the different characteristics of the local stakeholders.

1.1 Background to the Topic or Problem

Stakeholder management has moved into the central theme in the business and society discussions (Carroll, 1989), which became a significant concept in strategic management during the last few decades, not excepting the internationalization business area. The stakeholder theory started to be discussed academically in *Strategic Management: A Stakeholder Approach* of (Freeman, 1984). The impact of this discussion was so great that the issue began to be seen as between pre-Freeman and post-Freeman (FRIEDMAN; MILES, 2006).

Then, stakeholder theory of Freeman (1984) was widely cited in the related fields and turned into a basis for further studies that encompass a wide range of the themes tied to the stakeholders. According to Steurer (2006) “the stakeholder theory has evolved from a corporate-centric perspective into a more comprehensive research field, which addresses business–society relations from various points of view such as corporate, stakeholder or a conceptual point of view.” As a result, approaches to the stakeholder theory have been enriched and diversified on the multiple perspectives and fields as well, which were also likely to be characterized into three dimensions by Donaldson and Preston (1995): normative, descriptive and instrumental theories.

As a matter of fact, with the shift from the shareholder value perspective to the stakeholder value perspective, the value created by stakeholders has been considered the only objective function for the corporation (JENSEN, 2002). Furthermore, as the stakeholder analysis had been already regarded as an important process to establish an enterprise strategy in terms of understanding the contexts and complexities in the business environment (FREEMAN, 1984), integrating stakeholders in management processes has become one of the main challenges to MNCs (KIMIAGARI *et al.*, 2013)

1.2 Research Problem

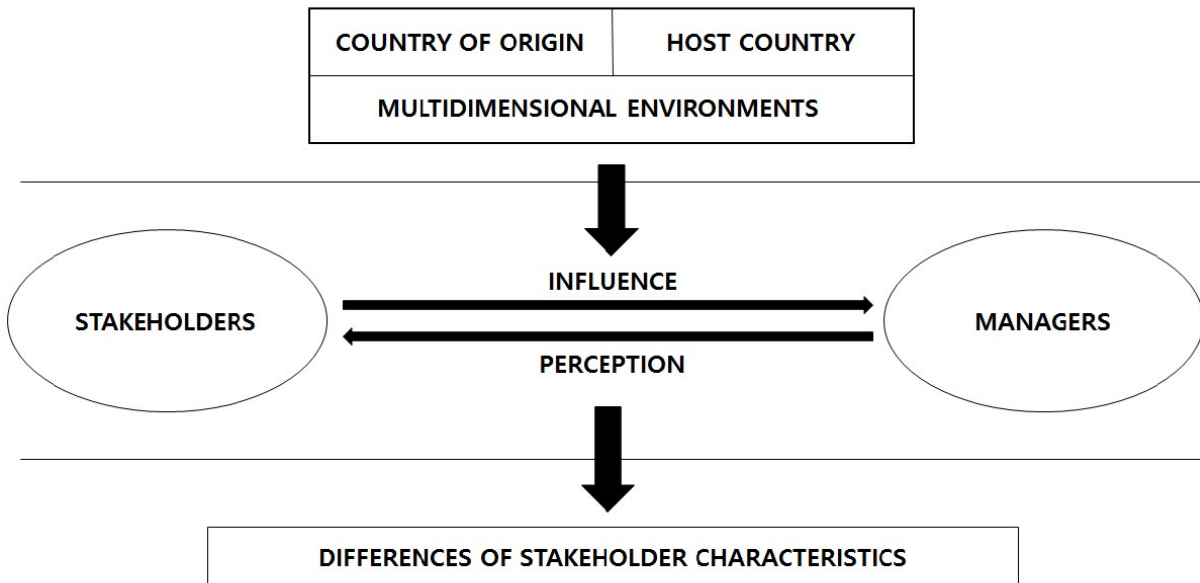
Stakeholder analysis (SA) has become increasingly popular with a wide range of organizations in many different fields (FRIEDMAN; MILES, 2006). In the previous literatures of stakeholder management, the approaches to SA have been diverse. However, when it comes to its definition, it is usually defined as a systematic process to understand the characteristics of stakeholders from the perception of organizations. According to Brugha and Varvasovsky (2000) “SA can be used to generate know-how about the relevant actors so as to understand their behavior, intentions, interrelations, agendas, interests and the influence or resources they have brought – or could bring – to bear on decision-making processes.” Many authors present different kind of methods to analyze the characteristics of stakeholders.

One of the methods of SA presented by (Reed *et al.*, 2009) categorizes the process of SA into three phases: identifying, differentiating and categorizing stakeholders, and investigating the relationships between stakeholders that formulate a process of stakeholder analysis. The method of Parent and Deephouse (2007) consists of three phases: identification, prioritization and understanding of the relationship between stakeholders, and many other authors also propose analyzing methods, which entail similar phases.

In the international management context, however, a small portion of the studies deal with SA focusing on identifying the characteristics of stakeholders that can influence the decision-making process of MNCs on the descriptive approach. Most of them have focused on the Corporate Social Responsibilities (CSR) through the increasing attention which was derived from the experience in different local environments with plenty of evidence on the instrumental approach that CSR can influence, not only on MNCs performance but also on their competitive advantage (BOULOUTA; PITELIS, 2014).

Seeing that the characteristics of stakeholders influence decision-making processes, MNCs endeavor to understand the characteristics of stakeholders that they face in the different environments and consider them as key factors for establishing enterprise strategy. Then, comparing the characteristics of stakeholders in the host country with those in the country of origin helps MNCs to prioritize actors and issues as management strategic focus. Thus, the problem of the research is to investigate the difference in stakeholder characteristics between the host country and the country of origin that is perceived by managers.

Figure 1 - Research Model



1.3 Objective

The objective of this study is to investigate the differences in stakeholders' characteristics between Brazil and Korea that are perceived by managers of Korean MNCs. To achieve this objective, the following specific objectives were formulated:

- a. Describing the characteristics of the stakeholders that emerge from the interactions between the subsidiaries of Korean MNCs and the stakeholders in Brazil.
- b. Describing the characteristics of the stakeholders that emerge from the interactions between the headquarters of Korean MNC and the stakeholders in Korea.
- c. Comparing the characteristics of the stakeholders that emerged from the interactions between the subsidiaries of Korean MNCs and the stakeholders in Brazil and headquarters of Korean MNCs and the stakeholders in Korea.

To accomplish this objective, the study began by answering the following questions:

- Question 1: What are the characteristics of the stakeholders in Brazil that emerge from the interaction between subsidiaries of Korean MNCs and the stakeholders in Brazil?

- Question 2: What are the characteristics of the stakeholders in Korea that emerge from the interaction between headquarters of Korean MNCs and the stakeholders in Korea?
- Question 3: What is the difference in the stakeholder characteristics between Brazil and Korea perceived by the managers of Korean MNCs?

1.4 Justification for the Study

According to Amaeshi and Crane (2006), it is essential for the corporations to manage the relationship between the firm and its surrounding environment, including different stakeholders. That is because they affect enhancing the effectiveness of the firm's decision and strategies. However, although stakeholders need to be analyzed within the surrounding environment, according to Key (1999), the stakeholder theory does not provide an appropriate explanation for the firm's behavior within it, and it also inadequately addresses the system or the environment in which the firm exists. Consequently, it is noted that the studies relating to the relationship between firm and stakeholders have been discussed being somewhat distant from environment variables.

In addition to the theoretical limitations, it was found that limited research has treated the stakeholder analysis focusing on identifying the characteristics of stakeholders of MNCs to understand their influence on the descriptive perspective. Even when discussing them between MNCs and stakeholder, the theories are inclined to focus on CSR derived from ethical issues on the normative perspective. According to the documental research conducted on the database ISI Web of knowledge, by searching the papers with the combination of the words related to the stakeholder analysis, one hundred eighty-six papers were filtered. Among them, the only paper that treats the subject with regard to the stakeholder analysis of MNCs focused mainly on characteristics of stakeholders.

Because the first mentioned limit of the stakeholder theory is that there were insufficient explanations regarding environments such as political, social and economic issues in which the firm operates that affect the firm and its stakeholders, it was found that there is a necessity to evaluate the impact of the environment on stakeholder management. Consequently, this study attempts to describe how the perception of the MNCs' managers regarding the characteristics of stakeholders differentiates in two distinct environments. Furthermore, given

the lack of research focusing on the cases of MNCs in stakeholder analysis, this study sheds light on the less treated discussion in the stakeholder theory.

1.5 Structure of the Dissertation

This dissertation consists of five parts. In the first part, the introduction has already been presented, referring to the perspective on the subject, research problem and objective of the research, limitation of the study and the importance of the subject.

The second part deals with the literature review approaching the theories of international management, focusing on FDI and market environment, and the stakeholder analysis, including the identification and prioritization with regards to the different stakeholder' importance.

The third part refers to the methodological aspects of the study describing the research process with the typology of the study, object delimitation, interviewee selection with criteria and procedure for data analysis illustrated with graphs, tables and diagrams.

The fourth part analyzes the data obtained from the interviews with several Korean multinational corporations operating in Brazil. The data analyzed the concepts of identification and prioritization of stakeholders between host country and home country that lead to the noteworthy result that allows us to understand the specific objectives of the study.

The fifth and last part presents the result and conclusion of the study. In this part, the limitation of the study is alluded, and there is also a recommendation for future research related to this subject.

2. LITERATURE REVIEW

As this study aims to analyze stakeholders in international business contexts, a wide range of theories, covering international business theory and stakeholder theory, was adopted to construct the theoretical basis of the study. Therefore, the concepts presented in this part are following theories and models.

The first subcategorized theory refers to global environments and internationalization of business. In this part, international business concepts are approached by principle internationalization theories, which are understood in the context of rising complexities of the global business environment introduced as the beginning concept. Additionally, the FDI of Korean MNC is explained to clarify the circumstances in which the interviewees have been working.

In the second part, the stakeholder theory is overviewed by treating the concepts of stakeholders, stakeholder perspective and stakeholder management. The third part approaches the stakeholder analysis process related to the theories for identifying and prioritizing stakeholders. These three parts of theoretical basis consist of the literature review and are listed in sequence.

2.1 Global Business Environment

In global business management, the host country environment is acknowledged as a substantial factor and the strong relationship between the flow of FDI and its variables has been found. The environment identified by political, social, cultural, legal and economic variables has an effect on investment decision and further affects the achievement of enterprise goals of MNCs (KOBRIIN, 1976). The number of independent variables has been examined in the abundant literature on the determinants of FDI.

In addition, many authors have investigated and categorized them into mainly four segments: political, social/cultural, legal and economic components (Duncan, 1972; Luo, 2001). However, the authors have pointed out their complexities in common. Luo (1997) stated that

it is difficult to predict and measure various components in the national environment such as macroeconomic, political/legal and socio-cultural, because they are highly dynamic and volatile. Still, Naughton (1996) also asserted on his work that this complexity is not homogenous across locations, due to its varying levels of economic development, governmental authority, policy treatment, and openness to the outside world.

Furthermore, the pressure from the local stakeholders that appeared from these multidimensional environments has also started to be regarded as a vital variable to MNCs management. For example, according to Reimann *et al* (2012) employees and the local governments are among the forces that drive firms to push for high standards in their working conditions and to engage in developing the local community.

In addition, Luo (1997) argued that “in order to gain the competitive advantage in the multiple environments of the local market, it is important for MNCs to maintain a managerial tie with local stakeholders.” Therefore, managing the relationship between the firm and its surrounding environment, including multiple stakeholders, became an important issue to enhance the firm’s global performance (AMAESHI; CRANE, 2006) so that MNCs must become more sensitive and responsive to the problems and needs of the local business environments (VESER, 2004).

2.1.1 Cultural Environment

The cultural aspect of a nation influences the operating strategy of the MNCs due to the cultural distance between home and host countries. It may not only act as a determinant of entry mode on decision making of MNCs, but also affects the foreign subsidiary’s adaptation to local environments because of the unfamiliar cultural values (ERRAMILI, 1991; HOFSTEDE, 1980). MNCs entering the unfamiliar cultural environments may encounter unexpected reactions from the public, including local stakeholders such as consumers or environmentalists in terms of the collective values of a society (HOFSTEDE, 1980). In this manner, Luo (2001) asserted that “variability of expectations and priorities set by different country cultures upon an MNC’s multiple country subsidiaries indeed poses complexity.”

Accordingly, it may be important for the foreign subsidiaries of MNCs to be aware of cultural

differences between home and local country in order not to confront the conflicts between subsidiaries and local communities, so that MNCs can reduce the risk for the overseas operation. Even if some researches like the one done by Kostova and Zaheer (1999) have asserted that cultural adaptation does not play an essential role in the discussions of the legitimacy of multinational enterprises due to its complex attributes (CALVANO, 2008) Hofstede's original approach has been still dominant over the literatures with regards to cultural influence in multicultural organizations.

Hofstede (1980) proposed the concept of the cultural distance that is likely to increase the complexity of operations and reduce communication effectiveness (CUI *et al*, 2006). In accordance with that concept, the cultural distance influences the effectiveness of MNCs, which is explained at both national and organizational levels. The model of Hofstede (1980), which consists of four dimensions such as uncertainty avoidance, individuality, power distance, and masculinity-femininity, enables us to analyze the cultural differences between two countries.

Those four dimensions were investigated and indexes were calculated from the answers of IBM employees in the survey, which consisted of questions about the frequency of problems regarding the expression of disagreement between employees and their managers, the perception of their boss' actual decision-making style and subordinates' preference for their boss' decision-making style. Power distance index (PDI) indicates the degree of inequality in society (HOFSTED, 2010). Based on the PDI scores, the fifty countries and three regions are listed and ranked from high to low value on table 1.

Table 1-Power Distance Index (PDI)

Country	PDI	IDV	MAS	UAI	LTO
Malaysia	104	26	50	36	
Guatemala	95	6	37	101	
Panama	95	11	44	86	
Philippines	94	32	64	44	19
Mexico	81	30	69	82	
Venezuela	81	12	73	76	
China	80	20	66	40	118
Egypt	80	38	52	68	
Iraq	80	38	52	68	
Kuwait	80	38	52	68	
Lebanon	80	38	52	68	

Libya	80	38	52	68	
Saudi Arabia	80	38	52	68	
United Arab	80	38	52	68	
Ecuador	78	8	63	67	
Indonesia	78	14	46	48	
Ghana	77	20	46	54	16
India	77	48	56	40	61
Nigeria	77	20	46	54	16
Sierra Leone	77	20	46	54	16
Singapore	74	20	48	8	48
Brazil	69	38	49	76	65
France	68	71	43	86	
Hong Kong	68	25	57	29	96
Poland	68	60	64	93	
Colombia	67	13	64	80	
El Salvador	66	19	40	94	
Turkey	66	37	45	85	
Belgium	65	75	54	94	
Ethiopia	64	27	41	52	25
Kenya	64	27	41	52	25
Peru	64	16	42	87	
Tanzania	64	27	41	52	25
Thailand	64	20	34	64	56
Zambia	64	27	41	52	25
Chile	63	23	28	86	
Portugal	63	27	31	104	
Uruguay	61	36	38	100	
Greece	60	35	57	112	
South Korea	60	18	39	85	75
Iran	58	41	43	59	
Taiwan	58	17	45	69	87
Czech Republic	57	58	57	74	
Spain	57	51	42	86	
Pakistan	55	14	50	70	
Japan	54	46	95	92	80
Italy	50	76	70	75	
Argentina	49	46	56	86	
South Africa	49	65	63	49	
Hungary	46	55	88	82	
Jamaica	45	39	68	13	
United States	40	91	62	46	29
Netherlands	38	80	14	53	44
Australia	36	90	61	51	31
Costa Rica	35	15	21	86	
Germany	35	67	66	65	31
United	35	89	66	35	25
Switzerland	34	68	70	58	
Finland	33	63	26	59	
Norway	31	69	8	50	20

Sweden	31	71	5	29	33
Ireland	28	70	68	35	
New Zealand	22	79	58	49	30
Denmark	18	74	16	23	
Israel	13	54	47	81	
Austria	11	55	79	70	

SOURCE: HOFSTEDE, 2010.

According to the table 1, it is shown that in small power distance countries "There is limited dependence of subordinates on bosses and a preference for consultation, that is, interdependence between them, while in large power distance countries there is a considerable dependence of subordinates on bosses." (HOFSTEDE, 1980a, 1991b). Regarding emotional distance between subordinates and their bosses, in small power distance countries it is relatively small, whereas in large power distance countries it is large.

Hofstede (1980a, 1991b) defined power distance as "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally." According to the Hofstede's own definition,

"Individualism pertains to societies in which the ties between individuals are loose and collectivism as its opposite pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty." (HOFSTEDE, 2005).

From the statistical analysis, forty countries' individualism indexes were calculated and listed to be compared among the countries. Hofstede (1980) stated that "the relationship between the individual and the collectivity in human society is not only a matter of ways of living together, but it is intimately linked with societal norm." Moreover, regarding individualism/collectivism in the organization, its level in society affects what type of persons will be admitted into positions of special influence in the organizations, as well as the organization's members' reasons for complying with organizational requirements (HOFSTEDE, 1980).

In his work published in 1980, Hofstede presented the concept of uncertainty avoidance. "Extreme uncertainty creates intolerable anxiety and every human society has developed ways to alleviate this anxiety." Subsequently, different societies have adapted to uncertainty in different ways. For example, the society that has a low index of uncertainty avoidance is likely to feel less threat for the future so that such societies use laws, rules and rituals to cope

with uncertainty (HOFSTEDE, 1980).

According to Hofstede's own definition, "Masculinity pertains to societies in which social gender roles are clearly distinct and femininity pertains to societies in which social gender roles overlap." He computed a masculinity index value not only by country but also by each gender so the relationship analyzed by this criterion shows that, from the most feminine countries to the most masculine ones, the value of both men and women become tougher, but the difference is bigger for men than for women. For example, Sweden and Norway were classified as the most feminine countries, while Japan and Austria were classified as the most masculine ones.

Based on Hofstede's framework done in 1980, several other authors have presented their empirical studies regarding the cultural aspects by which the organizations are likely to be influenced. In terms of MNCs' overseas operation, though, relevant studies not only tend to stress the importance of adapting to the local culture, but also aim to allow the MNCs to analyze it.

2.1.2 Political/Legal Environment

The political character of markets is a major influence on MNCs' stable business activities at a local market. Some extreme historical cases, such as the nationalization and confiscation that happened in Latin America several times, taught that the political instability and uncertainty have a big influence on MNCs' continuance and these factors are too risky for MNCs to manage. Many authors defined that the political risk is typically associated with an act of government that has unfavorable consequences for the corporations (KOBIN, 1979).

Yet, it is difficult to consider the political system without considering other environmental aspects. As an example, Gilpin (1975) argued that in the modern world the relationship between politics and economics is not distinct and independent, but rather interactive and reciprocal. Accordingly, distinguishing between them is likely to depend on one's perspective (KOBIN, 1979), and the justification for separating the environmental dimensions is that they pertain to relevant distinct stakeholders' groups (FREEMAN, 1984).

For this reason, there is no consensus on which risks constitute the political risk. Wang *et al* (2000), however, categorized the risks associated with investment project into 1) political and force majeure risk, and 2) foreign exchange and revenue risk at first. In addition, in his work focusing on the political and majeure risk, he defined the force majeure as the circumstances beyond the project's developer or government's control, such as natural disasters or accidents, wars, hostilities, embargoes, and import and export restrictions at large. Moreover, political risk includes "changes in law", "delay in approval", "expropriation", "corruption" and "relationship with local parties". For example, the imposition of any blockade, embargo, import restrictions, rationing, or allocation by government authority are defined as changes in legal risk, and the expropriation, requisition, confiscation, or nationalization of the power plant by government authority are subcategorized as expropriation risk. The cancellation of any approval is an example of delay in approval risk (WANG *et al*, 2000).

For the assessment of such political risk, a number of specialized institutions has developed their own assessment techniques, as well as a variety of analytic methods widely utilized, such as quantitative methods, Delphi forecasts and traditional visiting method. In a similar context to the political dimension, the legal dimension affects MNCs' performance in the host country. As the legal code and legal structure of host countries are different from the ones in the home country, MNCs may confront unexpected legal issues. Thus, it is necessary for MNCs to understand the legal system of the host country and consider advanced measures effectively before the problem happens.

Varying employment and labor law are especially important legal issues to MNCs, which influence their human resource management (RANDALL, 1993). As the political/legal environment is one of the strongest influential variable on decision making of MNCs for overseas investment, in order to predict and mitigate investment risks for MNCs, not only the analysis of political/legal risk is considered necessary, but managing their relations with political/legal stakeholders is also a determinant.

2.1.3 Macroeconomic Environment

The macroeconomic environment dimension is likely to be considered a general and colligate concept that encompasses a wide range of variables related to economic function at different

levels. As Gilpin (1975) argued, the countries' economies are interactive and reciprocal with their politics and the economic aspects are likely to relate to the countries' political aspects in various ways. The fact that economic development and scale strongly influence the fiscal policy (EASTERLY, 1993) and are an incentive to attract FDI are some of the examples to demonstrate the correlation between economic environment and other influential environments.

In particular, not only economic and political aspects have been discussed in the same context with regards to risk perception for the local market, but also social/legal aspects have been covered, which are called macroeconomic perspective and belong to the comprehensive dimension. Concretely, macroeconomic components consist of political/legal/social variables such as institutional stability reflected in policies towards FDI, tax regimes, the transparency and effectiveness of the commercial legal code, and the level of corruption and political stability (BEVAN; ESTRIN, 2004), as well as economic variables such as inflation rate, real exchange rate, reserve flows, wage cost and GDP growth or real GNP (TANG, 2007; SINGH,1995), which are considered important determinants of FDI flow. The host countries try to formulate the policies to maintain a favorable investment environment to MNCs by reducing inflation, stabilizing the exchange rate and increasing GDP (TREVIÑO; MIXON, 2004).

In a macroeconomic context, the literature regarding FDI emphasizes further issues which affect transaction cost between foreign production and export, including the impact of host country involvement or potential involvement in free trade agreements, customs unions, and supra-national economic structures (BEVAN; ESTRIN, 2004). Thus, not only do national economic aspects play a role as determinants for FDI and operation of MNCs at the local market, but supra-national economic aspects have an impact on the FDI inflow.

Besides, the macroeconomic environment has a tremendous impact on the behavior of consumers, producers, investors, etc., who are likely to be called economic stakeholders in terms of being affected by economic environments as well as MNCs and affecting them in the literature (ANTA; VAN DEN BERGH, 2013). The wide extent to which economic stakeholders are defined includes employees, customers, banks, accountants, suppliers, competitors, and external business advisors (UHLANER *et al*, 2004). Consequently, in terms

of avoiding environmental uncertainty, analyzing the macroeconomic variables and managing economic stakeholders are regarded as important issues in international management of MNCs.

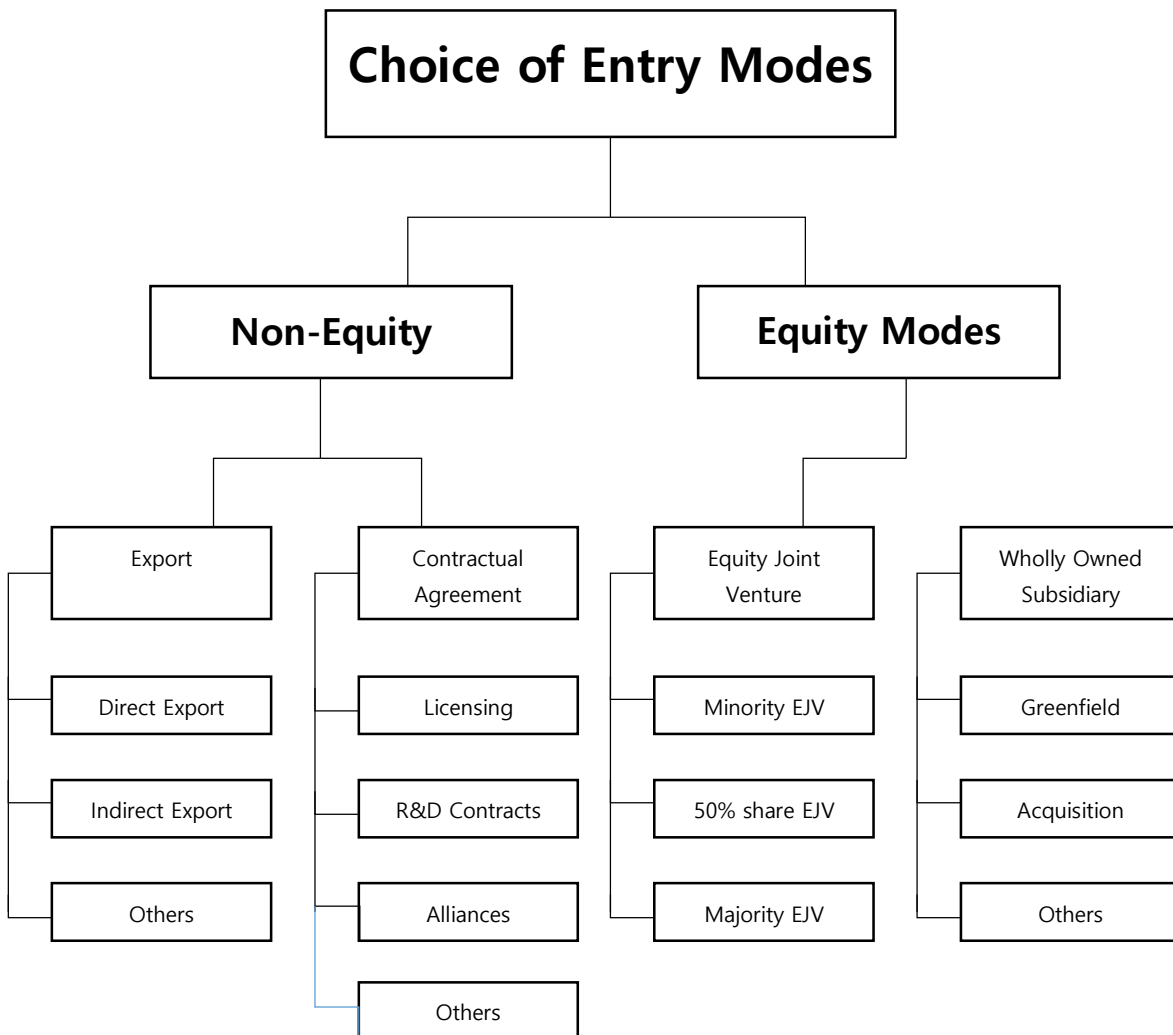
2.2. Theory of Multinational Enterprise

Depending on the scholars and periods of time, the definition of internationalization, considered as a general theory of MNCs and as an institutional approach to the analysis of MNC behavior (RUGMAN, 2007) has changed because the study of this area has developed comparatively recently with the rise of the cross-border business. According to Knight (2004), “Internationalization in business is interpreted and used in different ways, in different countries and by different stakeholders.” However, the widely accepted concept of international business deals with business activity trade in goods, service technology, capital or personnel (ROBOCK *et al.*, 1977).

The internationalization theories for MNCs are distinguished from traditional management theories in terms of understanding the boundaries of the MNC, its interface with the external environments, and its internal organizational design (RUGMAN, 2007). In this sense, the internationalization theory has focused on the way the MNCs can effectively perform their business in a different environment. The internationalization process of MNCs is carried into effect through various entry modes.

Drawing upon the literature, Pan and Tse (2000) presented the hierarchical model of market entry modes as guidance for the manager’s decision making (Figure 2). Their model comprises equity and non-equity modes at the first level of the hierarchy, and specific modes are subcategorized within them. For example, wholly owned operation (greenfield, acquisition, other and equity joint venture) belong to equity based modes, and contractual agreements (licensing, R&D contract, alliances, etc.) and export mode belong to non-equity based modes (PAN; TSE, 2000).

Figure 2 - Hierarchical model of choice of entry modes



SOURCE: PAN, Y; D. K. TSE, 2000

In the previous literature, it has been identified that a number of aspects influence entry mode selection. Among them, Dunning (1977, 1999) proposed that entry mode selection is influenced by three types of determinants: ownership advantages of a firm, location advantages of a market and internalization advantages of integrating transactions within the firm. The weighty determinant is likely to be considered for strategic entry of MNCs. Several models have conceptualized the choice of the entry mode. Traditionally, A. Rugman (1986), Hill *et al* (2002) and Root (1994) have presented the models that illustrate the main decision making process on the entry modes. Root (1994) and Rugman (1980) described the developing process of the entry mode related to the risk level, control level, cost and the passage of time.

According to Lau (1992), the stages of internationalization can be arranged in the following order:

- 1) No regular export activities;
- 2) Selling through agencies;
- 3) Direct and active exporting and licensing;
- 4) Establishment of local warehouse and direct local sales;
- 5) Local assembly and packing;
- 7) Formation of a joint venture;
- 8) Foreign direct investment;

That is, MNCs come into existence through these stages and reach the FDI stage as the final step of the internationalization.

2.2.1 The Theory of FDI

The field of FDI derived from an internationalization theory that has been developed in different aspects from historical international business approaches. In contrast with the internationalization theories that attempt to explain how and why the firm does business overseas and how the dynamic nature of such behavior can be conceptualized, FDI theories, which are primarily economics-driven and hence focused on factors stemmed from the firm's external environment, aim at explaining why multinational companies exist (MORGAN; KATSIKEAS, 1997; RUIGROK; WAGNER, 2003).

Given that the international business theories have been expanded by the different perspectives, it is necessary to give a definition of research focuses and direction. For example, there have been well-known studies of international business, such as the monopolistic advantages theory by Hymer (1976), Caves (1971) the eclectic theory by Dunning (1988), the transaction cost theory (Coase, 1937; Williams, 1981), the product life cycle theory (Vernon, 1979), etc. Based on them, the FDI was developed and the existing theories were revised on the perspective of the theories in this research.

There is no consensus for categorizing the FDI theories, but there are several prevailing taxonomies. A taxonomy suggested by Morgan and Katsikeas (1997) draw a line among a

number of the FDI theories with their taxonomy dividing the previous studies into three big parts: 1) Internalization theory, 2) Market imperfections theory and 3) International production theory.

2.2.2 Internalization Theory

According to Rugman (1981), the internalization theory conceptualized by (Buckley e Casson, 1981) has contributed to understanding the boundaries of the MNC, which interface with the external environment, and its internal organizational design. By establishing linkages with the external environment and selecting a specific organizational form, the theory brings the perspective of managerial efficiency and effectiveness of the MNCs into a relief. In an international business context, the internalization theory explains the reason why there are differences in the costs between firms and markets when organizing a given transaction. By arguing more, the firm will internalize a transaction wherever the cost of using spot markets or contractual agreements is higher than that of organizing it within the firm (HENNART, 1986).

This theory has also been interpreted on the extension of previous literature arguing the business of MNCs such as transaction cost theory and eclectic model. The internalization theory has been advanced by two distinct streams. For example, the first work that framed the concept originated from Williamson (1975) and the second work was conceptualized by Buckley and Casson (1976). Thus, the two works have been developed independently on a different theoretical basis.

Among earlier research in this area, the authors who are well-known for conceptualizing theory are Buckley and Casson (1976). Their theoretical basis, which forms their work, is market imperfection, differing from Williamson (1975). Rugman (1986) digested the author's demonstration that MNCs organize internal activities in such a way that they are able to develop and exploit firm-specific advantages (FSAs) in knowledge and other types of intermediate products and he reached the conclusion that "Internalization is an alternative to the external market for developing and exploiting knowledge."

Rugman repeatedly referred to the conceptualization of two works on his literature analysis

(2007), stating that “whereas the intellectual origins of Buckley and Casson (1976) internalization theory do not lie with Williamson (1975), who is known for his path breaking work on the relative efficiency of market, hierarchies, and intermediate modes.” Since the work of Williamson was unheeded in the related works as transaction cost theory until the appearance of the Hennart’s publication (1982), Rugman (2007) considered these two authors as from the same chain. He affirmed that they are deeply embedded in Hymer’s work, published in 1976, which argued that “foreign direct investment only takes place when the benefits of exploiting firm-specific advantages (FSAs) across borders allow overcoming of the additional costs of doing business abroad” (RUGMAN, 1986).

The theory of internalization started from the question of how the MNCs can reduce the transaction cost and how they can internalize the externalities originated from inefficient market. Despite the existence of the critical perspective for the internalization theory, for example, Hennart (1986) argued that there are two limitations for the terms “internal market” that do not show why firms are able to establish a system of efficient shadow prices, neither do they account for the most distinctive characteristic of the firms, the use of hierarchy. The development of diverse theories has tried to complement the loopholes and fill the gap of the concept.

2.2.3 Market Imperfections Theory

In substance, a close examination on the FDI theory started in 1960, written by many authors. Among them, Hymer (1960) explained the phenomenon of FDI on market imperfection theories, which gave rise to the monopolistic advantage theory. This theoretical development by Hymer (1960) constituted the platforms for the posterior works of FDI during early FDI theory emergence.

In Hymer’s previous works (1970, 1976), the international operation of the firms is explained as a strategy to demonstrate the specific advantages or competences of the firms that enter a foreign market under disadvantageous competitive conditions when compared to local companies. According to the same work, the specific advantages or competences of foreign firms are accrued under market imperfections for products and factors of production. Hymer (1976) sets the prior condition that international operation of the firms occurs in those

industries in which the firms of the different countries do business in the same market under conditions of imperfect competition, and he stated that it is necessary for the firms to possess their specific advantages, such as various kinds of proprietary knowledge, including patent, know-how and managerial control capacities.

Such specific advantages realized in market imperfection are concretized on the monopolistic advantages of Hymer (1960), which is extended by Kindleberger (1969), and Cave (1971) also explained FDI on the previous theoretical basis. This modern theory of FDI based on product and factor market imperfections, economies of scale, and government regulations, taxes and tariffs explains why FDI is induced by the MNC rather than by portfolio investment or exporting (RUGMAN, 1980). The authors define the monopolistic advantages, such as economy of scale, technology and marketing know-how, as the firm's specific advantages or product differentiation on the perspective of the firm's investment, unlike country specific advantages.

2.2.4 International Production Theory

Dunning (1980) suggested an eclectic paradigm identifying three types of factors to explain international production. By understanding the FDI as the international production on a comprehensive range of concepts, he explained the FDI with three synthesized factors that constitute ownership-specific endowments, internalization advantages and location-specific endowments.

Firstly, the ownership-specific is defined by Dunning (1980) as the way by which "an enterprise may create itself - certain types of technology and organizational skill", including firm-specific knowledge defined as know-how. The second factor relates to the advantage of when a firm internalizes its ownership-specific endowments rather than selling them. For example, based on its ownership-specific endowments, a firm may make a profit in a foreign market through licensing, instead of FDI. However, when the firm judges that it will be a much more profitable way to choose FDI, they embark on it.

With the ownership-specific endowments and internalization advantages, the location specific-endowments are the other determinants for deciding by FDI. FDI is implemented on

the condition that the firms judge that they can reap profits by combining the first two endowments with host country factors. Dunning (1980) stated that “It includes not only natural resources, most kinds of labor, and proximity to the market, but also the legal and commercial environment.” Furthermore, he stressed that the culture and host country behavior must be included in these factors (DUNNING, 2001). Thus, the eclectic paradigm for international production is likely to serve as an indispensable condition for FDI implementation and presents the fact that, depending on the conditions met, the entry mode is able to vary.

2.2.5 FDI of Korean Multinational

According to Park *et al* (2011), the Korean FDI stream is categorized into four stages: preparation stage from 1968 to 1990, the first growth stage from 1991 to 1998, adjustment stage from 1999 to 2004, and the second growth stage from 2005 until now. This FDI gradually started in the late 60s through overseas resource development business, with the purpose of securing mainly crude oil and iron ore. In the 70s, the FDI happened occasionally in the form of establishing factories that produced principally condiments and food ingredients. However, until the 80s, FDI of Korean companies were still inactive.

In the 90s, due to the rising wages in the country of origin, FDI that sought cheap labor started briskly. This allowed the Korean companies to get price competitiveness so that an increasing number of companies followed the flow into overseas markets. In this flow, the field of the FDI began to change from light industry, such as textile and footwear industries, to heavy industry, such as car, heavy chemical and electronics industries. During the 90s, the FDI of Korean companies grew rapidly until the Korean economy encountered the foreign exchange crisis in the late 90s.

During the crisis, the FDI of Korean companies somehow winced in the early 2000s, but presently by focusing on the IT industry, the FDI of Korean Companies was reinvigorated and continues to grow up. It was observed that the early FDI had the purpose of developing resources, and has since then aimed at promoting exports. Moreover, at present FDI has been made for the purpose of entering the local market. Most of Korean FDI is being led by big companies, which are likely to prefer establishing a new local subsidiary to acquiring or

merging local companies (PARK *et al*, 2011).

Since FDI grew up rapidly in 90s, the trend of investment for FDI has changed by region. Until the early 90s, the largest portion of FDI was made in the North American market, but soon the largest portion of FDI was moved to the Asian market. Then, from 2002, FDI into Asia began to increase rapidly, while FDI into North America and Europe decreased relatively. FDI into Latin America steadily increased so that recently the Latin American market grew into the fourth largest FDI market for Korean companies.

2.2.6 FDI of Korean Companies in Brazil

Recently, due to an enormous domestic market and potential of growth, Brazil has turned into the fifth biggest recipient of FDI in the world, according to World Investment Report 2014 of UNCTAD. With the rise in FDI outflow in Korea during the 90s, many Korean multinational companies started to take an interest in emerging markets so that, in this outward flux, FDI has since then headed to Brazil in earnest. Particularly the enormous domestic market, relatively well-industrialized facilities, sound macroeconomic policies, abundant natural resources and regional economic integration through MERCOSUR are all fundamental factors for the Korean multinational companies to decide to implement FDI in Brazil.

Korean companies investing in Brazil are mainly concentrated in the manufacturing sector and most of them are large conglomerate enterprises called Chaebol. Their specific investment areas include electronics, automotive and resource development. Recently, besides these large conglomerate companies, small and medium-sized enterprises have also been advancing to Brazil, many of which entered Brazil through the cooperation with large conglomerate companies. According to Korea Trade-Investment Promotion Agency (KOTRA), Two hundred forty-five Korean companies had been established until 2014, so the total accumulated amount of investment made by Korean companies had reached US\$ 5,799,508,000 until 2014.

Even though the investment in Brazil has been increasing steadily in comparison with countries belonging to BRICs, such as Russia, India and China, it is still relatively low. That is because Brazil is more distant from Korea than any other countries and, even though the

investment climate of Brazil became stable, evidently the unfavorable image created by the past economic crisis, economic complexity and political instability that can make the investors uneasy remains.

In addition, some obstructive factors also called “Brazil cost” discourage investing and running business in Brazil. The typical examples pointed out by companies from other countries include a complicated legal system, bureaucracy, high taxes, high financial costs, lack of infrastructure and safety problems. In particular, as Brazil has a very complicated tax system, of which the tax rate is very high, and there are too many different taxes, the foreign companies must analyze the local taxation system so that they can avoid disadvantageous actions from tax authorities.

It has also been pointed out that, due to bureaucracy and corruption within the government and other public offices, the requested business of the companies is delayed in many cases, so that it may progress through personal relationship or secret deals. Consequently, it is important not only for the Korean companies but also other foreign companies to manage the relationship with the local government and public offices in order to facilitate rigmarole processes. Apart from these major problems, other issues are also pointed out by foreign companies frequently. So, although it is hard to get a short term result, the Brazilian government is also recognizing these difficulties and trying to reform their policies to reduce this cost.

2.3 Stakeholder Theory and Management

As stakeholder management has moved into the central theme of at least one important recent business and society text (CARROLL, 1989), the stakeholder theory became a significant concept in strategic management. Since the stakeholder theory presented in “Strategic Management: A Stakeholder Approach” by Freeman (1984), the concept of stakeholders has been used by many scholars as a framework for integrating and organizing research in business management due to its emphasis on explaining and predicting how an organization functions with regards to the influences and existence in its environment (ROWLEY, 1997).

When discussing the stakeholder theory, Rowley (1997) suggested that the two main streams

in terms of the development of stakeholder theory are: 1) Defining the stakeholder concept and 2) Classifying stakeholders into categories that provide an understanding of individual stakeholder relationships. Thus, in order to understand the stakeholder theory of the firm, these two main streams, definition of stakeholders and category of stakeholders, need to be discussed as a primary issue.

2.3.1 Definition of Stakeholder

According to Freeman (1984), the earliest concept of stakeholder is introduced as “Those groups without whose support the organization would cease to exist.”, which appeared in 1963 by the Stanford Research Institute, and a more similar definition was used in a modified form (Friedman e Miles, 2004). After that time, Freeman (1984) integrated previous stakeholder concepts diffused in any organizational fields into a coherent construct, which is considered much broader and balanced and is being utilized by many authors (ROWLEY, 1997; FRIEDMAN, 2004).

Freeman defined stakeholders in his book, published in 1984, as “Any group or individual who can affect or is affected by the achievement of the organization's objectives.” (FREEMAN, 1984). For the purpose of understanding and managing the external environment, he developed the stakeholder idea over the last half of 1977 and all of 1987 on two papers and, as a result, ended up presenting the stakeholder definition, which laid the groundwork for the concept of stakeholders. The basic idea was that “If a group or individual could affect the group in the sense that it needed an explicit strategy for dealing with them.”, while this definition used to be debated frequently in the subsequent other author’s works (FREEMAN, 2004).

Along with the development and enhancement of the stakeholder concept that has been realized by many scholars in a variety of contexts from Freeman’s work, not only had the confusion about the definition of stakeholder occurred, but also other scholars have criticized the stakeholder theory because the definition tends to be interpreted in different ways (FRIEDMAN, 2004). Donaldson and Preston (1995), and Starik (1994) also pointed out the fact that, although the stakeholder framework has been used abundantly in literature, since Freeman’s work the term “Stake” has been used in many different ways, with diverse and

often contradictory evidence and argument, and the meaning of the term has not been applied consistently either (DONALDSON; PRESTON, 1995; STARIK 1994).

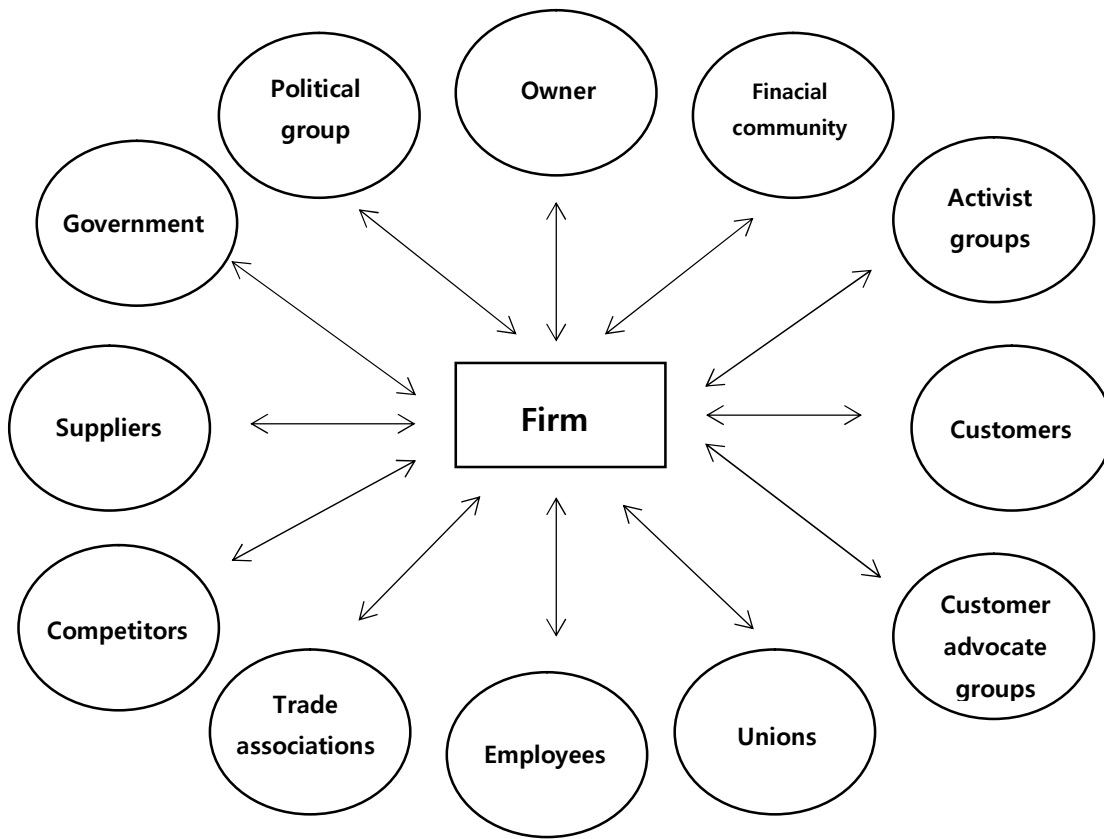
Friedman and Miles (2006) presented a summary of fifty five definitions covering seventy five texts arranged in chronological order in his work, and showed the analyzed profiles of the stakeholder theory development. Besides, Laplume *et al* (2008) reviewed one hundred seventy-nine definitions of stakeholder and, before Friedman and Miles (2004), Mitchell *et al* (1997) had attempted to analyze thirty-eight definitions to establish the criteria for stakeholder identification and salience. From the results obtained from the stakeholder definition, it is acknowledged that every concept varies depending on the situation. Thus, elucidating the uses of the concept that fostered debates to create a common frame of reference became the challenge in stakeholder analysis (MILES, 2011).

2.3.2 Category of Stakeholders

As the other main stream of stakeholder theory, the stakeholder identification or categorization is discussed as an extension of the question about the definition of stakeholders: what is a stakeholder? Freeman (1984) suggested the stakeholder map (Figure 3), which allows us to depict stakeholders defined as those groups and individuals who can affect and are affected by the achievement of an organization's purpose, consisting of customers, suppliers, employees and owner as the narrow scope, and media, governments, global competitors, consumer advocates, etc. as the wide scope (FREEMAN, 1984).

However, the way the range of possible stakeholders is segmented varies according to stakeholder analysis. For example, for many researchers, the managers can be treated as stakeholders, but with special access to focal organization resources, while for others they are regarded as the embodiment of the focal organization's action and responsibilities (FRIEDMAN, 2006).

Figure 3 - Stakeholder Map



SOURCE: FREEMAN, 1984, P.55

Identifying primary and secondary stakeholders is one of the well accepted stakeholder group segmentation way in stakeholder analysis. Savage *et al* (1991) segmented stakeholders into these two groups, and defined that the primary stakeholders are “Those who have formal, official, or contractual relationships and have a direct and necessary economic impact upon the organization.”, such as creditors, labor unions, and large institutional stockholders, and “The secondary stakeholders are diverse and include those who are not directly engaged in the organization's economic activities but are able to exert influence or are affected by the organization.”, such as federal government, insurance carriers, and consumer interest groups.

As the author who used the same segmentation but has been cited more times than others, Clarkson (1995) defined stakeholders as the individuals or groups who influence or are influenced by the corporation's activities and segmented them more discernibly by focusing on the concept of the corporation's survival. The author characterized that “A primary stakeholder group is one without whose continuing participation the corporation cannot

survive as a going concern.”, and it comprises shareholders, investors, employees, customers, suppliers, governments and communities. Thus, for example, the dissatisfaction of the primary stakeholders, such as customer and supplier, is able to cause serious damage to the corporation (CLARKSON, 1995).

The author defined the secondary stakeholder group as “Those who influence or affect, or are influenced or affected by, the corporation, but they do not engage in transactions with the corporation and are not essential for its survival.”, and presented the media and a wide range of special interest groups as the examples for this definition, because although they do not influence the survival of the corporation, they have the ability to mobilize public opinion in favor of, or in opposition to a corporation’s performance (CLARKSON,1995).

Table 2- Category of stakeholders

Number	Category of Stakeholders
1	Employees
2	Financial Institution
3	Customers
4	Suppliers
5	Governments
6	Trade Association
7	Union
8	Communities
9	NGO
10	Media

SOURCE: CLARKSON, 1995

2.3.3 Dimension of Stakeholders Theory

Donaldson and Preston (1995) have suggested that the stakeholder theory is able to be divided into descriptive, normative and instrumental dimensions. They have been cited frequently by other researchers and seem to provide direction to scholars in the stakeholder theory field (JONES; WICK, 1999). Jones and Wick (1999) agreed that Donaldson and Preston (1995) had added considerable coherence to stakeholder concept as theory and had provided a practical taxonomy of stakeholder theory types by dividing it into three dimensions, and

Freeman (1999) stated that their typological stakeholder theory is useful.

Regarding the descriptive dimension, at first the theory is used to describe how organizations' managers interact with stakeholders by explaining specific corporate characteristics and behaviors. Secondly, regarding the normative dimension, the theory is used to interpret the function of the corporation in terms of managing corporations and operation with moral or philosophical guidelines by prescribing how the organizations ought to treat their stakeholders. Finally, regarding the instrumental dimension, the theory is used to identify whether there are connections between stakeholder management and the traditional corporate objective, such as financial results. (DONALDSON; PRESTON, 1995; FREEMAN, 1999)

The argument of Donaldson and Preston (1995) states that the three aspects are interrelated in several ways, and although it seems like three dimensions can be distinguished clearly, they are linked to each other supportively. For example, descriptive uses are supported by instrumental ones and normative uses provide a central axis to the other two dimensions (KALER, 2003).

According to the convergent theory of Jones and Wick (1999), the normative and instrumental traits can appear simultaneously, "Offering both normative standards of behavior and the arguments that adhere to those standards will lead to outcomes that are both normatively and practically acceptable." and frequently the descriptive traits and instrumental traits tend to be complementary. This has been the basis for the critique in reference to the separation of these three aspects, as well as the definitional confusion by other researchers (EGELS; SANDBERG, 2010).

As the objective of this study is to describe a different perception of the MNCs' managers concerning the classification of stakeholders in the host country and the home country, it seems like the trait of this study may incorporate primarily into the descriptive category. Focusing on the descriptive category, therefore, in contrast with the normative realm, the descriptive realm has been also relatively little developed in the literature, as if there are only a few instrumental stakeholder theories mainly focusing on CSP/stakeholder management (BERMAN *et al*, 1999; JAWAHAR; MCLAUGHLIN, 2001).

Brenner and Cochran (1991) are considered pioneers who proposed a descriptive stakeholder

theory of the firm. They made the following point of argument.

The stakeholder theory of the firm posits that the nature of an organization's stakeholders, their values, their relative influence on decisions and the nature of the situation are all relevant information for predicting organizational behavior. (BRENNER AND COCHRAN, 1991, p. 462)

According to this statement, the relationship between various stakeholder features and situational characteristics and the decisions that firms actually make comes out. Jones (1994) appraised that the Brenner and Cochran's contribution (1991) is more aggressive theoretically in comparison to another attempt, the one of the descriptive theory that he had already proposed by informing that "Managers behave as if stakeholders mattered because of the intrinsic justice of the stakeholders' claim on the firm."

Even though a lot of research has investigated claims of this kind and found some support for them (CLARKSON, 1995) Jones and Wicks (1999) stated that "Claims of this type do not fully exploit the possibilities for stakeholder-based descriptive theory. A descriptive stakeholder theory, however, would create a wealth of research possibilities." Jawahar and McLaughlin (2001) introduced Michel *et al's* (1997) work regarding stakeholder classification and salience as the other attempt at the descriptive theory.

They criticized the model of Mitchell *et al* (1997) by arguing that the model is limited to describing three attributes: power, legitimacy and urgency, which contribute to the salience of stakeholders because it states that only stakeholders who possess more attributes will be perceived as more salient than those who have fewer attributes, instead of enabling the identification of specific stakeholders who will be salient to management. Accordingly, the model of Mitchell *et al* (1997) has been criticized for not explaining how an organization management deals with stakeholders who vary in terms of salience (JAWAHAR *et al*, 2001).

2.3.4 Stakeholder Analysis

Many works can be found in the literature, including Freeman's (1984), which affirms that stakeholder analysis is part of the process of stakeholder management. Regarding the definition of the term stakeholder management, it is usually characterized as the management activities related to the stakeholder, which include the process of stakeholders' identification, the analysis of the stakeholder's influence, communicating with stakeholders, etc (YANG *et*

al, 2011).

Moreover, in the stakeholder management literature, stakeholder analysis has been defined in various ways, depending on the authors. It is usually defined as a systematic process to understand the characteristics of stakeholders from the perception of organizations. In detailed processes, many authors entail mainly the identification, prioritization and understanding of the relationship among stakeholders as a process of stakeholder analysis (PARENT; DEEPHOUSE, 2007; REED, 2008; VARVASOVSKY; BRUGHA, 2000; YANG, 2011). In order for this study to understand the characteristics of stakeholders the following will be discussed in this chapter: the theoretical backgrounds in relation to stakeholder identification and stakeholder prioritization, including a salience model that is important in the stakeholder analysis literature.

2.3.4.1 Stakeholder Identification

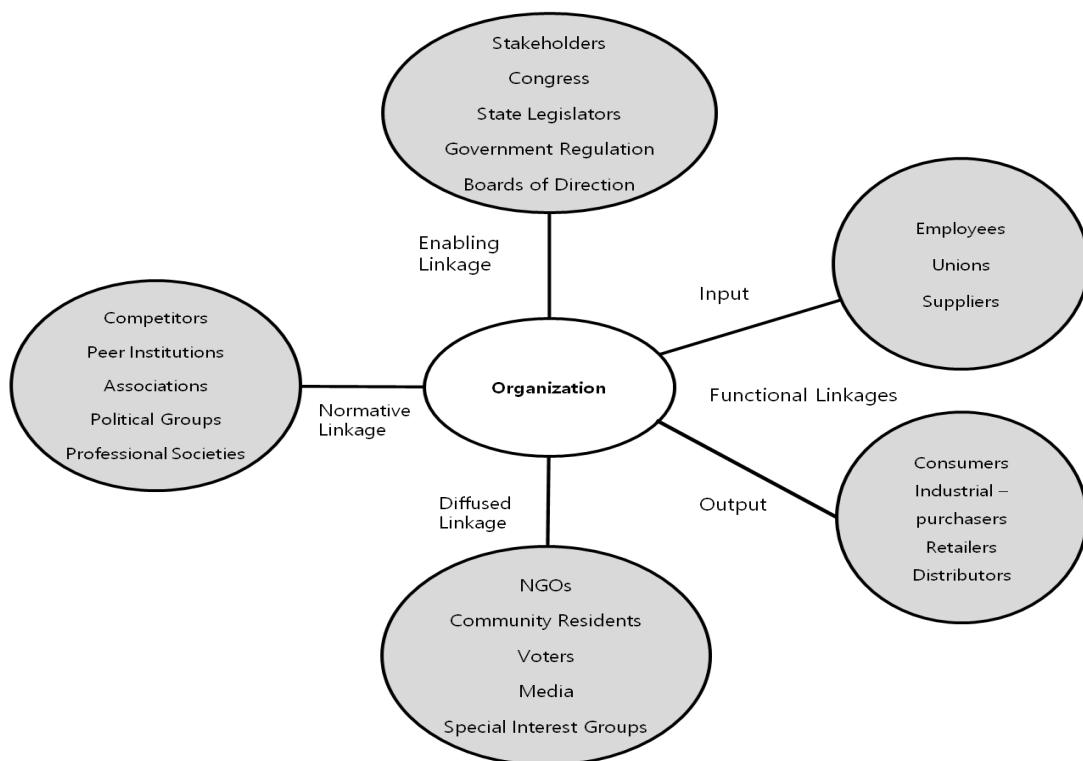
As there are a lot of definitions for stakeholder, the identification of stakeholders is often considered a thorny problem in terms of operational uses. Freeman (1984) defined a stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives.” However, although Freeman's definition has been framed to many related studies that needed to identify “who the stakeholder is”, it has been often considered an insufficient concept due to its breadth (DONALDSON; PRESTON, 1995). According to Varvasovszky (2000) and Parent (2007), it can vary over time, issue and management strategy, so it is possible to identify the wide range of stakeholders, but not all the critical stakeholders, because of its situational variability (YANG *et al*, 2011).

Donaldson and Preston (1995) stepped forward to the concept of “legitimate stakeholders” saying that “stakeholders are identified by their interests in the corporation, whether the corporation has any corresponding functional interest in them.” Also, as mentioned in the previous chapter, Clarkson (1995) divided the category of stakeholders into primary and secondary stakeholders, by stating that “A primary stakeholder group is one without whose continuing participation the corporation cannot survive as a going concern.” and “A secondary group is one who influences or affects, or is influenced or affected by the corporation, but is not engaged in transactions with the organization and is not essential for its survival.”

Consequently, the primary stakeholder group consists of shareholders, investors, employees, customers, suppliers, governments and communities, while the secondary stakeholder group includes the “media” and a wide range of special interest groups (CLARKSON, 1995). Furthermore, in Mitchell *et al*’s work (1997), which proposed a salience model, they not only discussed the board definitions of stakeholder identification but also suggested the criteria consisting of three attributes for identification and prioritization: 1) the power of the stakeholders’ influence over the firm, 2) the legitimacy of the stakeholder’s relationship with the firm and 3) the urgency of the stakeholder’s claim on the firm. These criteria support a normative theory of stakeholder identification for prioritizing competing stakeholders’ claims.

However, Mitchel *et al*’s model (1997) of insufficient systematic stakeholder identification method has also been criticized, and some researchers, such as Freeman (1984) and Gruing and Hun (1984) had already attempted to use systematic models and criteria such as the “linkage model” shown in Figure 4.

Figure 4 - Linkage Model



SOURCE: RAWLINS, 2006

There are four linkages that identify the stakeholder's relationship with the organization: enabling, functional, diffused and normative linkages and the limit is that the generic stakeholder list fails to identify all relevant stakeholders. (POULOUDI; WHITLEY, 1997; RAWLINS, 2006).

Table 3 shows how each linkage identifies and relates to stakeholders. According to Rawlins (2006), this model helps organizations identify all its stakeholders and comprehend their role in the organization, but in order to develop accurate understanding of the stakeholder and its impact on the success of the organization, a complementary use of other different models is necessary to differentiate stakeholders by their attributes, relationship with the situation and communication strategy.

Table 3- Identifying Stakeholders by Linkage Model

Relationship to organization	Identification	Stakeholders
Enabling linkage	Stakeholder who has some control and authority over the organization.	Stockholders, board of directors, governmental legislators and regulators
Functional linkage	Those that are essential to the function of the organization	Input functions: employees and suppliers
		Output functions: consumers and retailers
Normative linkage	Associations or groups with which the organization has common interests.	Competitors, political groups, associations, peer institutions, professional societies
Diffused linkage	Stakeholders who do not have frequent interactions with the organization, but become involved based on the actions of the organization.	NGO, media, community residents and special interest groups

SOURCE: RAWLINS, 2006

Therefore, it has been observed that stakeholder identification may not be standardized by a dominant method. Rather, a lot of methods are adopted in various ways that meet their own objective of analysis. In practice, there are a number of stakeholder identification methods and Bryson (2004) has presented as many as fifteen identification methods and grouped them into four categories to help readers understand the detailed characteristics of each one.

2.3.4.2 Prioritization of Stakeholder

In the literature of stakeholder prioritization, there has been much debate with regards to the degree of ethicality or moral legitimacy of stakeholders. Among various normative stakeholder theorists, Donaldson and Preston (1995) argued that “The interests of all stakeholders are of intrinsic value. That is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareowners.”

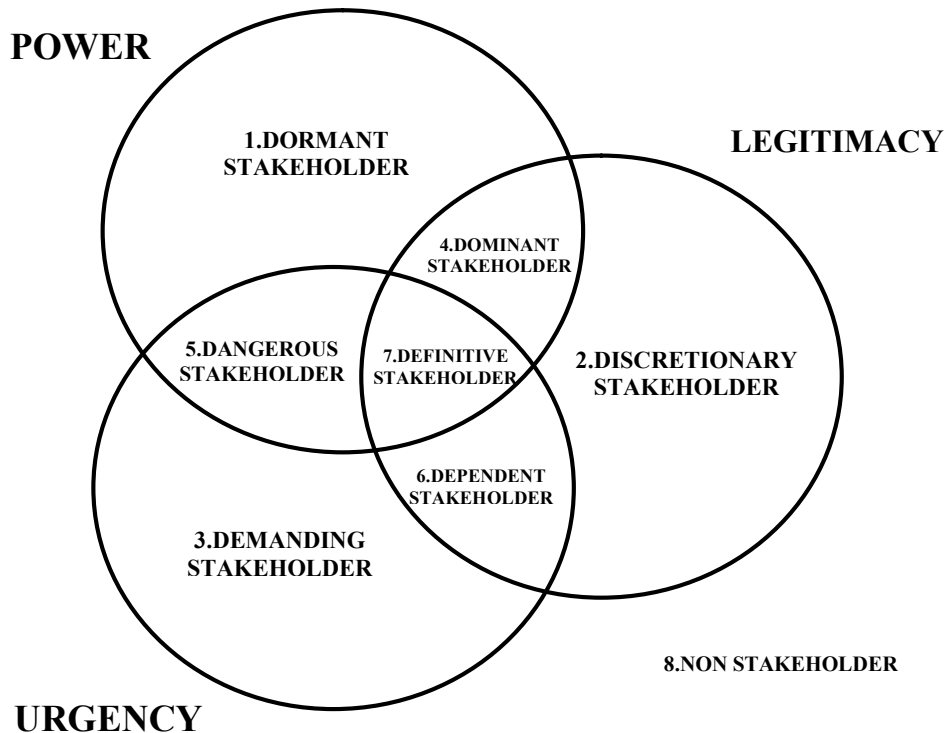
Thus, supported by such argument, there have also been similar arguments, which were criticized by Gioia (1999), Marcoux (2000) and Sternberg (2000), according to Phillips *et al* (2003), which insist that all stakeholders must be treated equally and that organizations should try to “balance” stakeholders’ claims (NEVILLE;SIMON, 2011). However, the concept of stakeholder prioritization had already been mentioned implicitly in Freeman’s original work (1984), considering resource distribution to more important stakeholders. In addition, Phillips *et al* (2003) stated that “on the defensible conception of stakeholder theory, benefits are distributed based on the relative contribution to the organization.” and Boaventura *et al* (2013) affirmed that some stakeholders can be treated more importantly with more attention from the managers.

Besides, many studies, especially in the perspective of an instrumental dimension in accordance with above stakeholder theorists, prioritizing stakeholders claims accurately after identifying an organization’s stakeholders set is a substantial process in the successful management (JAWAHAR; MCLAUGHLIN, 2001; NEVILLE *et al.*, 2011). In the stakeholder theory, prioritization related to a question of what proportion of the organizational output should be distributed to a given stakeholder group has been incessantly discussed, so that the concept of stakeholder prioritization can be interpreted in different manners (PHILLIPS *et al.*, 2003).

As discussed before in 2.3.4.1, Mitchell *et al* (1997) developed an identification and prioritization model that categorizes stakeholders by their attributed possession, consisting of 1) power of stakeholders’ influence over the firm, 2) the legitimacy of the stakeholder’s relationship with the firm and 3) the urgency of the stakeholder’s claim on the firm. They proposed the concept of “stakeholder salience”, defined as “the degree to which the manager

gives priority to competing stakeholder claims”.

Figure 5 - Stakeholder Salience Model



SOURCE: FREEMAN, 1984

In terms of stakeholder classes, the definition which Freeman (1994) calls “The principle of who or what really counts.” is based on three assumptions. First, that “managers who want to achieve certain ends pay particular kinds of attention to various classes of stakeholders.” Second, “managers’ perceptions dictate stakeholder salience.” Third, “The various classes of stakeholders might be identified based upon the possession of one, two, or all three of the attributes.” Consequently, stakeholder classes are determined by a combination of the three attributes. (MITCHEL *et al*, 1997).

Power has been defined by many authors, mostly as the ability of stakeholders to impose their will on a given relationship for the outcomes they desire, which based on coercive, utilitarian, or normative means characterized by Etzioni (1964), Mitchell *et al* (1997), Dahl (1957) Weber, (1947) and Patent (2007). Mitchell *et al* (1997) pointed out that the concept of legitimacy is considered imprecise and difficult to operate and accepted Suchman’s definition (1995) that

“A generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions.”

Urgency is the degree to which stakeholders’ claims call for immediate attention or pressing of the stakeholders, and it is based on two attributes: “1) time sensitivity – the degree to which managerial delay in attending to the claim or the relationship is unacceptable to the stakeholder, and 2) criticality – the importance of the claim or the relationship to the stakeholder.” (MITCHELL *et al*, 1997).

Mitchell *et al* (1997) developed a classification consisting of eight types based on a varied combination of attributes: power, legitimacy, and/or urgency. The following list describes eight types of stakeholders, according to Mitchell *et al*’s definition.

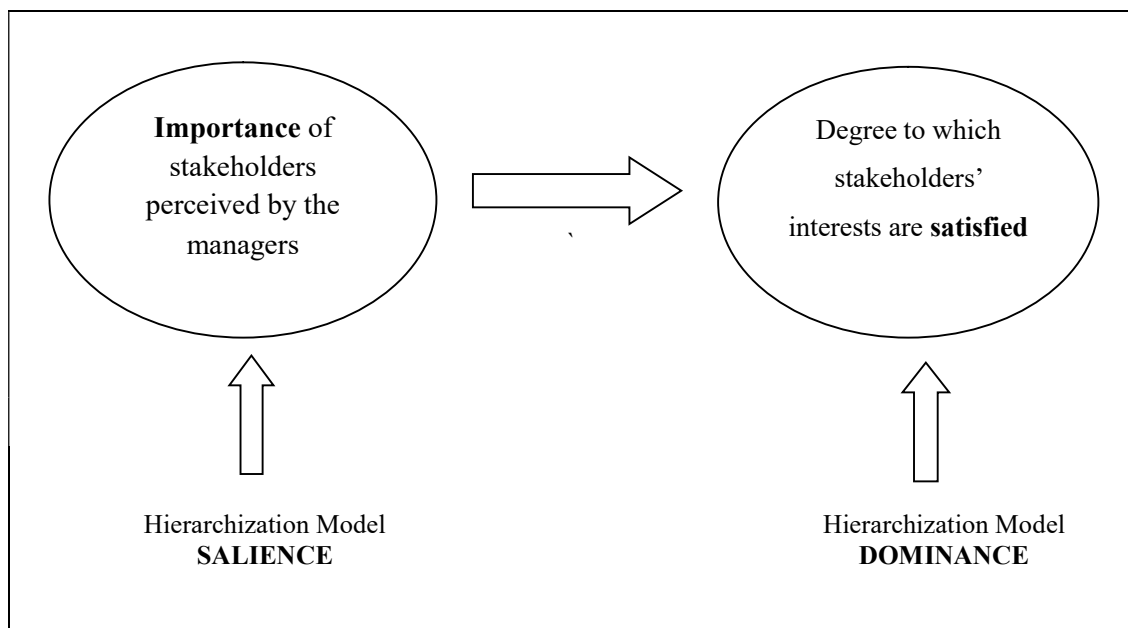
Table 4 - Classification of Stakeholders by Salience Model

Upper category	Subcategory	Characteristics of stakeholders
Latent Stakeholders	Dormant Stakeholders	They possess power to impose their will on a firm, but by not having a legitimate relationship or an urgent claim their power remain unused. If they acquire either urgency or legitimacy, they will become more salient to managers.
	Discretionary Stakeholders	They possess the attribute of legitimacy, but they have no power to influence the firm and no urgent claims. They are a particular interesting group for scholars of CSR because they do not have pressure on managers to engage in an active relationship, although managers can choose to do that.
	Demanding Stakeholders	They have the attribute of urgency, but have neither power nor legitimacy. They are considered just bothersome, but not dangerous if they do not acquire either the power or the legitimacy.
Expectant Stakeholders	Dominant Stakeholders	They expect and receive much of the managers’ attention, but by no means the full set of stakeholders to whom managers should or do relate.
	Dependent Stakeholders	They lack of power, but have urgent and legitimate claims. They depend on others to carry out their will. Power in this relationship is not reciprocal and is advocated through the values of others.
	Dangerous stakeholders	They possess the attributes of urgency and power without legitimacy. They will be coercive and possibly violent.
Definitive Stakeholders		They possess the legitimacy, power and urgency, and their interests are prioritized by the managers’ perception on its high salience.

The concept of prioritization has been discussed in two perspectives in the literature about the hierarchy of stakeholders. The first perspective focuses on the perception of the managers regarding the importance of stakeholders. In this perspective, stakeholders are hierarchized by their importance to determine to whom the managers should pay more attention, so that frequently the salience model of Mitchell *et al* is employed.

The second perspective treats the dominance of one stakeholder relating to others. “It is operationally defined as one determined stakeholder’s capacity to obtain the resources from a company in order to suffice their demands in the preferred way in relation to other stakeholders” (BOAVENTURA, 2012). In other words, it refers to the degree to which stakeholders’ interests are satisfied.

Figure 6 - Stakeholder Prioritization



SOURCE: BOAVENTURA *et al*, 2013

Accordingly, seeing that the concept of salience refers to the management process and how the importance of a stakeholder is perceived by managers and the concept of dominance is understood as the result of the management, these two concepts are likely to be considered incompatible. When it comes to the tendency in the literature regarding stakeholder prioritization, it has been found that most of them treat one between two perspectives and some researchers barely take the approach dealing two perspective collectively. (MASCENA *et al*, 2014)

Table 5 - Criteria or Models adopted by Articles

PERCEPTION	48
Stakeholder Saliency	36
Importance of stakeholder	3
Guidance to stakeholders	3
Environmental strategies	2
Influence of stakeholders	2
Pressure from stakeholders	1
INSPIRE Model	1
SATISFIED DEMAND OF STAKEHOLDER	5
Justice/Fairness	1
Contribution of stakeholder	1
Stakeholder integration capability	1
Engagement in CSR programs	1
Hierarchy of objective function	1
PERCEPTION & SATISFIED DEMAND OF STAKEHOLDER	2
Pressure from stakeholders	1
Fairness /Legitimacy	1
Total	55

SOUCE: MASCENA *et al* (2014)

According to Mascena *et al* (2014) the studies that approach stakeholder prioritization adopt different criteria, which are able to be divided largely into eight themes on the first perspective, which are able to be divided five themes. Furthermore, few studies that adopt the mixed approach have been found and the themes are discussed in two criteria. Taking into account the process of prioritization, this study takes the approach that corresponds to the first perspective, referring to the different importance of stakeholders perceived by managers. The concept of salience model was utilized to be the basis on prioritizing the importance of stakeholders.

2.3.5 Critique of Stakeholder Theory

Even though stakeholder theory has become increasingly popular in many different fields, the concept of the theory is still debatable with its conceptual imperfections, which have derived from many authors. The principal imperfection has stemmed mainly from its ambiguities and vagueness (FASSIN, 2008). Phillips *et al*, (2003) argued that the conceptual breadth of interpretation is one of the strong points of the stakeholder theory, but theoretical imperfection.

He especially points out four pieces of critique that try to refute the stakeholder theory with 4 friendly misinterpretations being explained below:

In the first place, “Stakeholder theory is an excuse for managerial opportunism”, as a moral argument that can be generated because, without the moral imperative, managers may take advantage of the organization instead of maximizing shareholder’s wealth.” (JENSEN, 2000; MARCOUX, 2000; STERNBERG, 2000).

The second piece of critique is that “Stakeholder theory cannot provide a sufficiently specific objective function for the corporation” (JENSEN, 2000). Supporting this argument, stakeholder theory doesn’t give directions to maximize owner value and it is pointed out by the authors (STERNBERG, 2000; MARCOUX, 2000).

The third piece is that the stakeholder theory is primarily concerned with distribution of financial outputs (MARCOUX, 2000). As it is frequently debated regarding the stakeholder theory, the questions about distribution of the organizational outcome related to “who gets how much and why?” or “who is allowed to take part in decision making for organizational objective and strategies?” are the focus of the stakeholder theory. In terms of the distributive justice that is difficult to measure, the concept of fairness was suggested and it was argued that the outcomes are not the only thing that matters in the perception of justice (PHILLIPS *et al*, 2003)

The fourth piece is that “stakeholder management means that all stakeholders must be treated equally”. According to Phillips, it is commonly asserted that all stakeholders must be treated equally regardless of the degree of contribution to the organization according to Gioia (1999), Marcoux (2000) and Sternberg (2000). On the contrary, about the critique regarding equal distribution to all stakeholders, Phillips, Freeman and Wick (2003) proposed the meritocratic hierarchy that classifies the stakeholders into legitimate normative and derivative stakeholders.

Additionally, other critiques regarding the stakeholder theory conceptualized from Freeman’s original work are addressed by Key (1999). According to him “Current conceptualizations of stakeholder theory do not meet the requirements of scientific theory.” and “Freeman does not provide an adequate theoretical basis for explaining firm behavior or the behavior of individual actors (internally or externally).” The author arranged four points for the critique in

the following details, which are related to the starting point of the discussion of this study.

In the first critique, Key (1999) insisted that “Stakeholder theory provides an inadequate explanation of the firm’s behavior within its environment.” The dynamics that link the firm to the stakeholders are not sufficiently addressed in Freeman’s work. Therefore, the linkage between the firm’s survival and other external factors need to be more clearly addressed (KEY, 1999).

Secondly, Key (1999) pointed out an incomplete linkage between internal and external variables. Freeman incompletely mapped out the limitless linkages between a variety of internal stakeholder groups such as employee and stockholder, and external stakeholder groups such as a professional organization, consumer, environmentalist, parent group or other community stakeholders (KEY, 1999).

In the third place, the author criticized that “The stakeholder theory inadequately addresses the system or the environment in which the firm exists”. Despite Freeman’s statement that “the business and social issues should not be separated from business strategy and policy, and the impact of social and economic issues cannot be bifurcated.”, his model does not provide an understanding of the operation of the overall system including the firm’s environments (KEY, 1999).

Finally, the author pointed out the fact that the stakeholder theory inaccurately assesses the environment as static. Concretely, in Freeman’s theory, the element of change that occurs over time is not explained, even though Freeman took account of environmental assessment and environmental scanning in order to identify stakeholder groups (Key, 1999). According to the author, Rowley (1997) provided the network analysis to assess the effect of the environment on the relationship between firm and stakeholders.

This study attempts to describe how the perception of the MNCs’ managers regarding stakeholder hierarchy differentiates in two distinct environments, based on the limits of stakeholder theory, that discusses the insufficiency of explanations regarding environments such as political, social and economic, the issues in which the firms operate that can affect the firm and stakeholders and its necessity to evaluate the impact of the environment.

3. METHODOLOGY

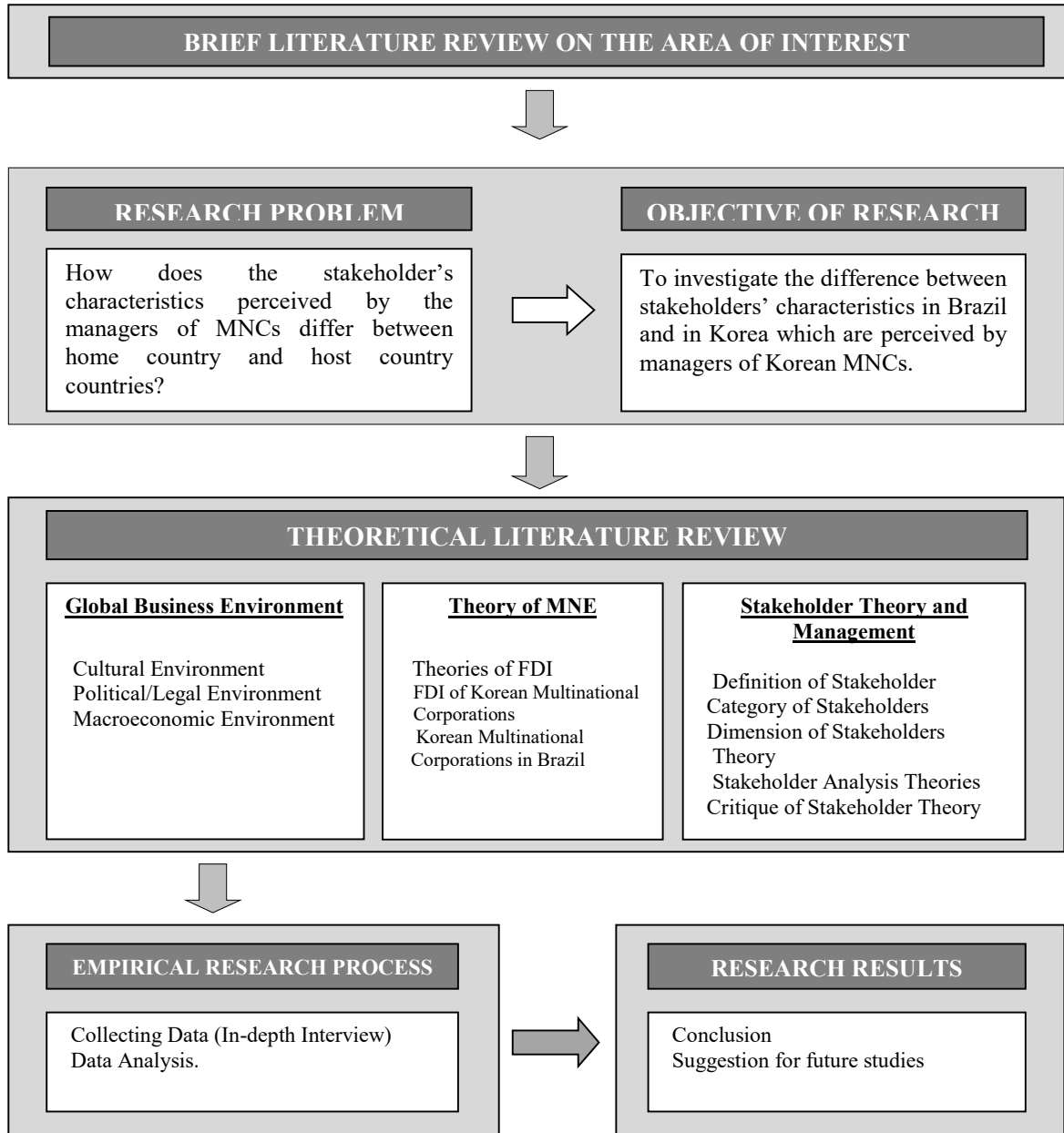
The previous chapters dealt with research problems and objectives of the research and literature review. Figure 6 demonstrates the theoretical framework of this study, which covers the process to reach the result of the research from recognizing the research problem. The research problem of this study was formulated from a gap discovered during the brief literature review.

According to Kumar (2010), literature review involves paradoxical aspects. “On the one hand it is not easy to effectively conduct the literature review process without some idea of the problem researchers wish to investigate. On the other hand, the literature review can play important roles to establish the research problem.” Hence, a brief review of relevant literature helps in widening knowledge to understand research areas better before appropriately dissecting a broad subject area of interest to the researcher (KUMAR, 2010).

The objective of this research was embodied through problem recognition and based on the literature related to the research problem the underlying theories have synthesized. This step was taken after shaping an idea of the research problem based on theoretical literature review to establish the theoretical root of the study, clarify the objective of the research and develop research methodology (KUMAR, 2010). This chapter focuses on the methodological process structured to reach the objective of the research.

The following parts explain an approach characterized in this study by drawing a distinction between qualitative study and quantitative study, and characterizes this study on the typology presented by Gil (1999), which divides the research types according to the objectives. The subsequent chapter describes the method of data collection adopted to determine the research design, and processes for sampling and data analysis.

Figure 6 – Research Planning



3.1 Approaches to Research

Creswell (2013) conceptualized a model based on Crotty's original groundwork (1998), which suggested four questions to show the interrelated levels of decisions that go into the process of designing the research. The model describes how elements of inquiry (i.e., knowledge claims, strategies and method) combine to form different approaches to the research, and by using these three elements the researchers can implement either the quantitative, qualitative or

mixed method approach to the research (CRESWELL, 2003, 2013).

Traditionally, merely quantitative and qualitative research paradigms have been mainly disputed in science inquiry between quantitative purists and qualitative purists. “Quantitative approach is one in which the investigator primarily uses post positivist claims.” (CRESWELL, 2003) chasing objectivity of the inquiry. This approach adopts the strategy of inquiry, such as experiments and surveys, and collects data on prearranged instruments that yield statistical data (CRESWELL, 2013). “Qualitative approach is one in which the inquirer often makes knowledge claims based primarily on a constructivist perspective.”, and qualitative researchers prefer detailed and thick description with the inquiry strategy, such as narratives, phenomenology, ethnography, ground theory studies, case studies etc. (CRESWELL, 2003).


These two approaches had been considered incompatible, and they could not or should not be mixed by both sets of purists. However, in a recent method of research, mixed approaches have appeared as a third research paradigm that helps connect the polarity of the qualitative and quantitative approaches (JONSHON; SANDSTROM, 2011). Mixed methods combining quantitative and qualitative approaches are still relatively unknown to researchers. They involve the process of collecting, analyzing, and interpreting quantitative and qualitative data in a study that investigates the underlying phenomenon (JOHNSON *et al*, 2007)

In terms of the typology of the research, Gil proposed that, according to the objective of the studies, they can be characterized into three types: descriptive, explorative and explanatory research. In accordance with Gil’s typology, Marshall and Rossman (2010) also arranged the purpose of the studies stating that methodologists have described three major purposes for research: to describe, explore or explain the phenomenon of interest.

For the first purpose, a descriptive study documents and describes the phenomenon of interest. For the second one, an exploratory study investigates little-understood phenomena, identifies or discovers important categories of meaning or generate hypotheses for further research. For the third, an explanatory study explains the patterns related to the phenomenon in question or identifies plausible relationships shaping the phenomenon. According to the typologies presented above, this study can be embraced into qualitative exploratory, as it has the main objective of improving the ideas and confirming intuitions (MUNARETTO *et al*, 2013), and tries to explore unsolved problems by conducting in-depth interviews with experts. This study

reveals such characteristics.

Figure 7- Data Collection Plan

Research Step	Methodological Approach	Data Collection	Source	Objective of each step
First Step	Qualitative	Literature review Interview	Literatures Managers	Selecting all of the methods for segmenting stakeholders based on the concepts in literature and choosing one method by majority opinion of the managers
				
Second Step	Qualitative	In-depth Interview	Managers	All the stakeholders belonging to the method chosen at the first step were sent to the managers in order to identify the characteristic of each categories

With regards to the steps to collect data, this study outlines two types of data collecting sources. These steps are taken in order to visualize the process to select variables and collect data. At the first step, all the methods for segmenting stakeholders were selected based on the concepts in the literature relevant to the stakeholder theory, and one method was chosen by majority opinion of the managers based on the concept in the literature relevant to the stakeholder theory. At the second step, all the variables belonging to the method chosen at the first step were sent to the managers in order to identify the characteristic of each variable.

3.2 In-Depth Interview Method

The qualitative technique used for this study is interview. The interview technique is usually differentiated between unstructured interview, semi-structured interview and structured interview in a superior category, and this study specifically adopted a semi-structured in-depth interview format, widely used for the qualitative research (DICICCO-BLOOM; CRABTREE, 2006).

The semi-structured interview method has an advantage in exploring the perceptions and

opinions of respondents regarding complex and sometimes sensitive issues because it allows the interviewer to delve deeply into social and personal matters (BARRIBALL; WHILE, 1994; DICICCO-BLOOM; CRABTREE, 2006). Thus, in terms of identifying the managers' different perception on the importance of stakeholders, this technique can be a more suitable format to describe the research object.

3.3 Limitation of In-Depth Interview

Because it provides more detailed information, in-depth interview is considered a useful technique to explore the perception and opinion of the respondents. On the other hand, there are several limitations. Boyce and Neale (2006) indicated some primary limitations of in-depth interviews.

The first limitation is the possibility of biased responses. For some reasons, including their stake, the interviewees are likely to be prone to bias. The second limitation is that interviews can be a time-intensive evaluation activity because it takes a relatively longer time to conduct interviews, make transcriptions and analyze the results. The third limitation is that the interviewer must be appropriately trained in interviewing techniques. The authors indicated that using appropriate techniques is necessary to gain more detailed and abundant information from the interviewees. The fourth limitation is that this technique is limited to generalize the results because of small samples not randomly selected.

3.4 Selecting Samples for In-Depth Interview

In terms of sample size, Guest *et al* (2006) argued that, in a qualitative inquiry, the "Guidelines for determining non-probabilistic sample sizes are virtually nonexistent." That is, the adequate number of interviewees does not exist, but "it just depends on the concept of saturation or the point at which no new information is observed in the data".

Hence, in order to maximize the depth and richness of the data to address the research question, as well as meet the smallest acceptable sample size simultaneously for the in-depth

interview, the selected samples of interviewees are made up of four individuals. They have reasonably homogeneous personalities and share important similarities in terms of which department in the company they belonged to that deals with managing stakeholders as dispatched employees over a couple of years to the host country (DICICCO-BLOOM; CRABTREE, 2006).

Regarding the profiles of the interviewees, one manager had been working for the Korean logistic company operating in Brazil since 2012, and had worked both in Korea and in Brazil. Another manager was working in Korean logistic companies located in São Paulo, and had worked for the headquarters in Korea for many years. Another manager had been working for the Korean information & communication technology company operating in Brazil, and had worked in Korea and other countries for a couple of years. The other manager had been working for the one Korean automotive company in Brazil, and had worked for another company in Korea for many years.

Table 6 - Profile and Detail of the Participants selected for the In-depth interview

Company	Industry type	Position	Department	Working years in Brazil	Type of Interview
A	Logistics	Manager	Operation	3 years	In Person
B	Logistics	Branch Manager	General Management	2 years	In Person
C	ICT	Director	General Management	3 years	In Person
D	Car Component	Department Manager	Sales/Marketing	3 years	In Person

The participants selected for the interview shared experiences about the stakeholders they had encountered through their business careers and accumulated in their own companies, in different countries. Thus, the participants were able to describe their perception of the stakeholders in the different countries in detail, especially to compare the stakeholders in Brazil with the stakeholders in Korea concerning environmental aspects of the market.

3.5 Interview Process

The interviews were conducted in Korean over two months, from March to April 2015, in person. The duration of each interviewing process was between 90 and 120 minutes. During

this time, the interviewees were asked to freely talk about the stakeholders in Brazil on the perspective of a general firm-level, avoiding reflecting on the specific stakes of the department to which participants belonged, respecting the interview guidelines.”

Despite trying to avoid the bias that can be caused by the different jobs of each department to which the respondent belonged, seeing the fact that interviewer's position and role may affect their range of the stakeholder identification (FREEMAN, 1984), the type of the stakeholders for the afterward interview process was conducted within the list that consists of ten stakeholders mutually by all of the interview participants.

The construction process of questions for the semi-structured interview of this study attempts to follow the segmentation proposed by Rubin, Herbert and Rubin, Irene (1995) who stated that composing three types of interview questions allows flexibility to change questions while maintaining the overall structure. The *main question*, entitled as one of the question types, plays a role in starting and guiding the conversation, which can be changed due to mutable situations with the respondents. Prior to the chat with the interviewee, only main questions are designed and handed in.

Another type of question is entitled *Probe*, which asks to complete or clarify the answers, or to request further examples when the interviewer does not attain enough detail or clarity from the respondent. The other type, entitled *Follow up question*, examines central themes or events or deepens the central idea. In other words, these two types of questions following the main question are asked in order to adapt the circumstances (RUBIN, 1995)

Thus, *the main questions* designed for guiding and opening the conversation should cover an overall subject. For example, in the theme of this study the first question was “How does your company interact with the stakeholders in Brazil?” This question guided the respondents to start introducing their stakeholders by talking about general information of the stakeholder, the relationship with stakeholders and their reaction through the process of influencing each other.

The second main question was “What are the distinguishing features of stakeholders in Brazil?” This question guided respondents to start identifying the difference between stakeholders in Brazil and in Korea, by talking about the applicable experiences they have

accumulated in both countries.

For each main question, *Probe* and *following-up* questions were also asked, to clarify, deepen or explore the subject. For example, when the answers were not clear enough, too ambiguous or if the interviewer wanted more specific information, there were several following probes: “Could you expand a little more on this answer?”, “Is there anything else you could tell me?” and “Could you describe another example?” They were frequently used to obtain a fuller understanding of the answers.

The following-up question explores the core of the themes again. For example, following main question one the questions “What is the central interest of the employees?”; “How do they influence your company?” and “What is their position and importance in your company?” were queried to explore more details about the interaction relating to identifying interest, influence and position of stakeholders, and the questions “Why do you think these features of the employees emerge?” and “What are the difficulties that your company confronts in its relationship with employees?” were queried to explore more about the features of stakeholders.

Based on the answers derived from questions 1-2 and 1-3, shown in Table 7, given by four respondents, modes were calculated and used as representative value on the influence degree of five scales (from low to high) and position of five scales that reveals manageable degree of each stakeholder (from manageable to unmanageable). Modes are often used more for qualitative than quantitative data, so that in this study frequently perceived influence degrees and positions of each stakeholders can be presented.

Table 7 - Interview Guide for In-depth interview

	Main questions	Following Question	Probes
1	1. How does your company interact with the employees in Brazil? 2. What are the features of employees in Brazil?	1-1 What is the central interest of the employees? 1-2 How do they influence your company? 1-3 What is their position and importance in your company? 2-1 Why do you think these features of the employees emerge? 2-2. What are the difficulties that your company confronts in its relationship with employees?	

2	<p>1. How does your company interact with financial institutions in Brazil?</p> <p>2. What are the distinguishing features of financial institutions in Brazil?</p>	<p>1-1 What is the central interest of the financial institutions? 1-2 How do they influence your company? 1-3 What is their position in your company in terms of manageability?</p> <p>2-1 Why do you think these features of the financial institutions emerge? 2-2 What are the difficulties that your company confronts in its relationship with the financial institutions?</p>	<ul style="list-style-type: none"> • Could you expand a little more on this answer?
3	<p>1. How does your company interact with the customers in Brazil?</p> <p>2. What are the distinguishing features of customers in Brazil?</p>	<p>1-1 What is the customers' central interest? 1-2 How do they influence your company? 1-3 What is their position in your company in terms of manageability?</p> <p>2-1 Why do you think these features of the customers emerge? 2-2 What are the difficulties that your company confronts in its relationship with the customers?</p>	<ul style="list-style-type: none"> • Could you tell me anything else?
4	<p>1. How does your company interact with the suppliers in Brazil?</p> <p>2. What are the distinguishing features of the suppliers in Brazil?</p>	<p>1-1 What is the central interest of the suppliers? 1-2 How do they influence your company? 1-3 What is their position in your company in terms of manageability?</p> <p>2-1 Why do you think these features of the suppliers emerge? 2-2 What are the difficulties that your company confronts in its relationship with the suppliers?</p>	<ul style="list-style-type: none"> • Could you describe another example?
5	<p>1. How does your company interact with the governments in Brazil?</p> <p>2. What are the distinguishing features of the governments in Brazil?</p>	<p>1-1 What is the central interest of the governments? 1-2 How do they influence your company? 1-3 What is their position in your company in terms of manageability??</p> <p>2-1 Why do you think these features of the governments emerge? 2-2 What are the difficulties that your company confronts in its relationship with the governments?</p>	
6	<p>1. How does your company interact with the trade associations in Brazil?</p> <p>2. What are the distinguishing features of the trade associations in Brazil compared to the ones in Korea?</p>	<p>1-1 What is the central interest of the trade associations? 1-2 How do they influence your company? 1-3 What is their position in your company in terms of manageability?</p> <p>2-1 Why do you think these features of the trade associations emerge? 2-2 What are the difficulties that your company confronts in its relationship with the trade associations?</p>	
7	<p>1. How does your company interact</p>	<p>1-1 What is the central interest of the unions?</p>	

	<p>with the labor unions in Brazil?</p> <p>2. What are the distinguishing features of the labor unions in Brazil?</p>	<p>1-2 How do they influence your company? 1-3 What is their position in your company in terms of manageability??</p> <p>2-1 Why do you think these features of the labor unions emerge? 2-2 What are the difficulties that your company confronts in its relationship with the labor unions?</p>	
8	<p>1. How does your company interact with the communities in Brazil?</p> <p>2. What are the distinguishing features of the communities in Brazil?</p>	<p>1-1 What is the central interest of the communities? 1-2 How do they influence your company? 1-3 What is their position in your company in terms of manageability??</p> <p>2-1 Why do you think these features of the communities emerge? 2-2 What are the difficulties that your company confronts in its relationship with the communities?</p>	
9	<p>1. How does your company interact with the NGOs in Brazil?</p> <p>2. What are the distinguishing features of the NGOs in Brazil?</p>	<p>1-1 What is the central interest of the NGOs? 1-2 How do they influence your company? 1-3 What is their position in your company in terms of manageability?</p> <p>2-1 Why do you think these features of the NGOs emerge? 2-2 What are the difficulties that your company confronts in its relationship with the NGOs?</p>	
10	<p>1. How does your company interact with the media in Brazil?</p> <p>2. What are the distinguishing features of the media in Brazil?</p>	<p>1-1 What is the central interest of the media? 1-2 How do they influence your company? 1-3 What is their position in your company in terms of manageability?</p> <p>2-1 Why do you think these features of the media emerge? 2-1 What are the difficulties that your company confronts in its relationship with the media?</p>	

3.6 Stage of the Data Analysis

The objective of the data analysis is to generate a rising understanding about the research question, which can be fulfilled through making a detailed and systematic recording of the subjects and issues addressed in the interviews, and linking the subjects and interviews together under a category system (BURNARD, 1991; DICICCO-BLOOM, 2006). In the data analysis procedure, transcribing interviewed data and coding the data were conducted before

writing up findings and interpreting data.

The degree of influence and position of the stakeholders were established based on the modes calculated from the answers of the four respondents, which were done in the following ways. For example, if respondent A answered that local suppliers are unmanageable, respondent B answered that they are a little unmanageable, respondent C answered that they are a little unmanageable and respondent D answered they are moderate, the mode is a little unmanageable. The modes are calculated according to all kinds of identified stakeholders, which were obtained also for the influence degree in the same way.

3.6.1 Transcription

Transcription is an implement that helps researchers who collected qualitative data to make sense of and understand interviewees' experience and perception, including literal statements, and noting as much as possible significant nonverbal and paralinguistic communication (BURNARD, 1991; HYCNER,1985). According to Burnard (1991), there is no universal transcription format that is applicable for all kinds of qualitative data. However, some authors also suggest a transcription guideline that helps researchers systematically organize and then analyze textual data.

Transcription can be defined as a process of transforming an entire speech into specific words. In other words, it provides a verbatim account of the interview. However, it may not be obligatory to transcribe an entire interview because the level of the transcription depends on the level of the analysis. Thus, for this study, selected sentences, passages, paragraphs, or stories which were relevant to the research question may be sufficient, to the extent of including the description of the experiences and the knowledge, and not including the beliefs, values and attitudes of the interviewees (EMERSON *et al*, 2011; MCLELLAN *et al*, 2003)

Hence, the transcription for this study was conducted according to the guideline proposed by Burnard (1991). In the initial phase of the analysis, after recording interviews with an audio recording instrument maintaining high quality of the sound, the recorded interviews were transformed into text. In this process, a certain number of words of interview data, along with 12 interview files consisting of a certain number of pages each, were collected. At the same

time, notes regarding the topics mentioned in the interview were made. Any idea from interviewees which attracted attention was noted to categorize the data. Instantly, to become immersed in the data, the transcripts and notes were checked again on the general subject of the process in order to understand the life situation of the respondents.

3.6.2 Data Coding

The texts gathered in the transcription process were segmented into smaller categories by reassembling the data into topics and arguments. The list of categories were grouped together under higher headings and the numbers of the categories were reduced by unifying similar datum into broader categories. For example, 1) Brazil has a supplier-oriented market, 2) In the contract, the power of the buyers in Brazil is not as strong as in Korea. These phrases were united into the same category. In this process, new lists of categories and sub-headings were created, and repetitions or very similar headings were eliminated, to make final distinct categories.

After those transcripts were re-read, with final lists of categories and sub-headings, the process of distinguishing between each piece of the transcript allocated to the category and sub-heading was conducted by highlighting them in different colors in the word processor. Then, the coded part of the interview was clipped out of the transcript and all the codes were gathered. The clipped out parts were pasted on the page and headed up with the appropriate heading and sub-headings.

In the following stage, the selected four respondents were asked to check the categorization suitability with questions such as “Does this quotation from your interview fit this category?” In order to verify the validity of the categorizing process. Furthermore, as another validity checking process, a colleague who was not involved in this study at all was asked to identify the category system of this analysis because, if any similarity appeared between the category systems of the researcher and the other one, validity was possibly checked. By exploring the properties and dimensions of categories, the relationship between categories and patterns could be identified as a continuous critical step. Once all the sections were filed together, writing up the findings started, the various examples of data were selected, and a commentary that connects those examples was offered along with the sections (BURNARD, 1991).

Table 8 - Category Frame Matrix

Analyzed Aspects	Name of category Group	Code of Categories	Question	Quantity of coded data	Source	
Problems with Stakeholders	Problem with employees	PROE_	1.2-2	9	In-Depth Interview	
	Problem with financial institutions	PROF_	2.2-2	8		
	Problem with customers	PROC_	3.2-2	5		
	Problem with suppliers	PROS_	4.2-2	7		
	Problem with governments	PROG_	5.2-2	14		
	Problem with trade associations	PROT_	6.2-2	1		
	Problem with labor unions	PROL_	7.2-2	5		
	Problem with the media	PROM_	10.2-2	1		
	Causes of Problems	Causes of problems arising from employees	CAPE_	1.2-1		5
		Causes of problems arising from financial institutions	CAPF_	2.2-1		3
Causes of problems arising from customers		CAPC_	3.2-1	4		
Causes of problems arising from suppliers		CAPS_	4.2-1	7		
Causes of problems arising from governments		CAPG_	5.2-1	5		
Causes of problems arising from trade associations		CAPT_	6.2-1	2		
Causes of problems arising from labor unions		CAPL_	7.2-1	4		
Causes of problems arising from the media		CAPL_	10.2-1	0		

Analyzed Aspects	Name of Categories	Code of Categories	Question	Quantity of coded data	Source
Solutions for the problems	Solutions for the problem with employees	STPE_	1.1	10	In-Depth Interview
	Solutions for the problem with financial institutions	STPF_	2.1	1	
	Solutions for the problem with customers	STPC_	3.1	1	
	Solutions for the problem with suppliers	STPS_	4.1	2	
	Solutions for the problem with governments	STPG_	5.1	3	
	Solutions for the problem with trade associations	STPT_	6.1	2	
	Solutions for the problem with labor unions	STPL_	7.1	4	
	Strategies for the problem with the media	STPM_	10.1	3	
	Distinct characteristics of local employees	DCLE_	1.2	26	
	Distinct characteristics of local financial institutions	DCLF_	2.2	8	
Distinct characteristics of the stakeholders	Distinct characteristics of local customers	DCLC_	3.2	22	
	Distinct characteristics of local suppliers	DCLS_	4.2	6	
	Distinct characteristics of local governments	DCLG_	5.2	7	
	Distinct characteristics of local trade associations	DCLT_	6.2	0	
	Distinct characteristics of local labor union	DCLL_	7.2	15	
	Distinct characteristics of local media	DCLL_	10.2	1	

Analyzed Aspects	Name of Variables/Group of Variables	Code of Categories	Question	Quantity of Coded Data	Source
Environments that influence the stakeholder characteristics	Influential environments for employees	INEE_	1.2-1	8	In-Depth Interview
	Influential environments for financial institutions	INEF_	2.2-1	1	
	Influential environments for customer	INEC_	3.2-1	3	
	Influential environments for supplier	INES_	4.2-1	1	
	Influential environments for governments	INEG_	5.2-1	3	
	Influential environments for trade associations	INET_	6.2-1	1	
	Influential environments for labor unions	INEL_	7.2-1	4	
	Influential environments for the media	INEM_	10.2-1	0	

4. ANALYSIS OF COLLECTED DATA

The coded datum related to each stakeholder was reorganized, which are divided into subtheme, theme and category at different levels of the analysis. As a result, broad outlines in the category level were 1) Interaction with stakeholders and 2) Characteristics of stakeholders cluster the segments of themes' level. In the theme subdivided from interaction with stakeholders, the problem with stakeholders, the causes of the problem and solutions for the problem were categorized. In the theme subdivided from characteristics of stakeholder, the distinct characteristics of the local stakeholder and the environments that influence the characteristics were categorized. In the subtheme, the differences between Korean stakeholders and Brazilian stakeholders related to the themes were presented as well as relevant examples were grouped.

4.1 Employees

From the analysis about the employees based on the interview transcription, the themes are divided into two categories: The issues in relation to managing the employees in Brazil and characteristics of the employees in Brazil. The category of the issues in relation to managing the employees includes the management problems, the causes of the problems and the solutions for the problems. The category of characteristics of employees includes the difference of characteristics of Brazilian employees and Korean employees, and the environment that affects the distinct characteristics of Brazilian employees.

4.1.1 The Issues in Relation to Managing the Employees in Brazil

The issues in relation to managing the employees refer to the following problems, causes of the problems and solutions for the problems which are perceived by the respondents.

4.1.1.1 The Problems in Managing the Employees in Brazil

In relation to the problem in managing employees, four problems were presented by the respondents, which are presented in table 9.

Table 9 – The Problems in Managing with Local Employees

Problems Involved With	Stated Problems
Local employees	1. Turnover is so high in Brazil that the companies lose the task continuity and fostering specialists is not easy
	2. Due to the indifference of employees about other task areas outside of their own task area, synergies and business efficiency decrease
	3. Lawsuits are filed by the employees against the companies.
	4. Communication problems happen between Brazilian employees and the head office's team.

With regards to the 1st problem, respondent B stated that “after employee changes job, taking over the task is not completed correctly” and respondent D proposed an example that states that “The turnover rate is normally within 1 or 2 years and long term is considered to be 5 years, making it difficult to foster specialized staff.” Similar to this problem, according to respondent C avoidance of overtime work causes failures to accomplish daily tasks.

With regards to the 2nd problem, respondent B said that “It seems like the Brazilian employees want to focus only on their own area rather than knowing other related tasks from other areas.” And respondent C pointed out that “it reduces the synergies between works because of the lack of understanding of other areas.”

With regards to the 3rd problem, according to respondent A “after leaving the company, the employees often sue the company for breaching the Labor Standards Act.” Respondent C stated that “That superiors shouting at subordinates often happens in the company in Korea and it can be accepted normally, but in Brazil this behavior is subject to violating the labor laws. So we had to be careful of the problems that occurred because of cultural differences.”

With regards to the 4th problem, respondent B stated that “Even if we communicate with the employees in English, misunderstandings sometimes arise between Korean employees and Brazilian employees.” Respondent A stated that “when we instate a Brazilian employee as a manager, they sometimes have to communicate directly with the head office, but in this case their communication is unlikely to go on smoothly.”

4.1.1.2 The Causes of Problems in Managing Employees in Brazil

The causes of the problem presented at 4.1.1.2 are presented by the respondents in the following table 10.

Table 10 - The Causes of the Problems in Managing Employees in Brazil

Presented Problems	Causes perceived by respondents
1	1. There are more opportunities to change jobs in Brazil than in Korea.
	2. Brazil has the atmosphere of labor market in which the employees can change the jobs without hesitation when they are offered better conditions.
	3. When the rates of raising salary are high, the company cannot afford to hold on to the employees who have worked for many years when they want to change jobs.
2	On employment record cards the scope of the work is specified and there are restrictions about the working hours on the regulation
3	Legal system is favorable to employees
4	1. Cultural differences
	2. Language differences can create many communication problems.

With regards to the 1st problem, the respondents presented the causes as “Brazilian employees are unlikely to be afraid of changing jobs because Brazil has the atmosphere of labor market in which the employees can change jobs without hesitation when they want.” (Respondent C). “By changing jobs, the Brazilian employees enhance their value.” (Respondent A). And by agreeing with the respondent A, C stated that “there are many opportunities to change jobs in Brazil in the areas of office jobs or technical posts.”

With regards to the 2nd problem, the respondent B stated that “In Korea the employees need to understand the works of the various divisions and the employees prefer working in administrative positions to become specialized in the limited area which Brazilian employees prefer.” The respondents pointed out that on employment record cards the scope of the work is specified and there are restrictions about the working hours on the regulation.”

With regards to the 3rd problem, all of the respondents perceived that legal system is favorable to employees in Brazil, so that the Brazilian workers sue the company with frequency. The

respondent A found that lawsuit against companies happen much more often with blue collars workers than with white collar workers. “White collar workers think legal action against the company may exert unfavorable influence on their career records, while blue collar workers are unlikely to consider it.” (Respondent A).

With regards to the 4th problem, according to the statements of the respondents, the cases involving communication problems were categorized into misunderstanding the language and the ignorance of the cultural differences.

4.1.1.3 The Solutions for the Problems in Managing Employees in Brazil

The solutions for the problem presented at 4.1.1.3 are presented by the respondents in the following table 11.

Table 11 - The Solutions for the Problems in Managing Employees in Brazil

Presented Problem	The solutions presented by the respondents
1	1.Hiring local Koreans who tend to work for one company for a long time. 2.Offering incentives to the employees who show good performance in the form of promotion. 3.Trying to share our vision with employees in order to reduce the number of employees who leave the company in a short period.
1,2	1.Educating the employees as multiplayers. 2.Constructing a work manual and implementing the employees’ training on it.
3,4	1.Having more opportunities of making conversation with the employees to understand their needs. 2.Expressing sensitive subjects such as personnel matters to the Brazilian employees through Brazilian managers to avoid misunderstandings.

As solutions for 1st problem, three strategies were presented. Respondent A stated that “We hire local Koreans or second generation of Korean families in Brazil because they have similar characteristic to Korean workers accustomed to working for one company for a long time.” Respondent C stated that “we offer various kinds of incentives to the employees when they achieve good results or promote capable employees not to lose them.”

As solutions for 1st problem and 2nd problem, the respondent B stated that “to avoid losing task continuity, that occurs when an employee leave his position suddenly, we educate the employees as multiplayer.” Respondent C stated that “constructing a work manual and implementing the employees’ training on it is important to prepare for the unexpected situation that happens when we lose employees and it can help the employees understand other business areas so that it can compensate for lost synergies derived from the indifference of employees about other task areas.”

As the solutions for 3rd problem, the respondent B stated that “we try to have more opportunities of making conversation with the employees to understand their needs firstly” and “by expressing very sensitive subjects, such as personnel matters, to the Brazilian employees through Brazilian managers we try to avoid the latent lawsuits and misunderstandings derived from the language and cultural differences.”

4.1.2 Characteristics of Employees

In the second category, it’s seen that the characteristics of stakeholders are divided into two subjects: 1. Distinct characteristics of the local employees compared to Korean employees and 2. The environments that influence the characteristics of the employees.

4.1.2.1 Distinct Characteristics of the Local Employees compared to Korean employees

In relation to the characteristics of the local employees, all the respondents perceived that Brazilian employees are less likely to be loyal to companies than Korean employees are, so that Brazilian employees are more concerned with their private lives than the business of the company. Thus, they are likely to change jobs frequently and avoid overtime work as well as they are more likely to care about increasing their salary and benefits than achieving a job related goal in the company. However, according to the respondent A, “This characteristic also differs by region so, for example, as São Paulo is an international city, the employees there have a different attitude toward work, that is, they are more concerned with their business achievements than the employees in other regions.”

The respondent C pointed out another difference between Brazilian and Korean employees in relation to business process' methods. “Generally Korean managers do not give orders

concretely to employees. So the Korean employees that are familiar with this style usually come up with a complete set of answers that consider all processes from their own judgement, while Brazilian employees that are not familiar with this style are unlikely to come up with the expected answers if the managers don't give orders concretely." According to the statement of the respondent, that happens because Brazilian employees prefer specializing themselves in specific areas, and their understanding about relations regarding the connection of the works is not sufficient, while the Korean employees prefer to focus on the works that cover all sorts of fields.

4.1.2.2 The Environments that Influence the Characteristics of Employees

According to the analysis of the respondent's statements, it is found that three dimensions of the environments influence the characteristics of the employees. Firstly, it is presented that cultural environments relate to employee's loyalty to a company. According to the respondents B and C "In comparison with Brazilian employees, the Korean employees are obedient to superiors as well as devoted to the company." The respondent C stated that "this characteristic results in lower turnover rate and longer working hours of the employees in Korea."

Secondly, it is found that legal environments relates to the limitation of imposing tasks on the employees. According to the respondents B and C "in Brazil, seen that labor laws are strictly observed, workload and working hours are better complied with than in Korea." The respondent A stated that "In Korea labor laws also regulate such matters, but it doesn't appear to enforce enough on the companies". The respondents assessed by mutual agreement that "Brazil's legal environment is more favorable to laborers than companies."

Lastly, it is found that the macroeconomic environment related to a different labor market situation in Korea and in Brazil. According to respondent A, "in comparison with the actual tight recruitment market of Korea, in Brazil there are still more chances to seek a job because many jobs have been created during the economic boom. However, because recently the economy of Brazil is going into recession, the companies are showing the sign of reduction in labor force. Accordingly, the laborers began taking a more cautious attitude when they change jobs and take legal action against a company." (Respondent A)

Table 12 - The Comparison of Employee's characteristics between Brazil and Korea

Distinct Features	Brazil	Korea
Attitude towards work	The employees are more concerned more with their private lives than with business The employees have less loyalty to companies.	The employees are devoted to company's business before their private lives The employees have more loyalty to companies
Preference for a business field	The employees prefer specializing themselves in specific areas in their career.	The Koreans prefer to work covering all sorts of fields in their career.
Frequency of changing jobs	Relatively high	Relatively low
Method of ordering tasks	As the employees are not familiar with indefinite orders, the superiors need to order concretely.	As the employees are familiar with indefinite orders, the superiors expect that the employees solve the matter somehow.
THE ENVIRONMENTS THAT INFLUENCE THE CHARACTERISTICS		
Cultural Environments: As there are differences in attitude towards the company between Korea and Brazil, such as loyalty, there are differences in turnover rates and working hours of the employees.		
Legal Environments: In Brazil, as labor laws are strictly observed, workload and working hours are better complied with than in Korea.		
Macroeconomic Environment: As many jobs have been created during the economic boom in Brazil, the employees can claim their rights. However, because of the economic recession, laborers began taking a more cautious attitude towards the company.		
Attributes of stakeholders	Brazil	Korea
Influence	Medium	Medium
Position	A little unmanageable	Manageable

4.2 Labor Unions

From the analysis about the labor union based on the interview transcription, the themes are divided into two categories: The issues in relation to managing Labor Unions in Brazil and characteristics of the labor unions in Brazil. The category of the issues in relation to managing Labor Unions in Brazil includes the management problem, the causes of the problem and the solutions for the problem. The category of characteristics of financial institution include the difference in characteristics between Brazilian and Korean labor unions , and the environment that affects the distinct characteristics of Brazilian labor unions.

4.2.1 The Issues in relation to Managing Labor Unions in Brazil

The issues relating to managing labor unions refer to the following problems, causes of the problems and solutions for the problems which are perceived by the respondents.

4.2.1.1 The Problems in Managing the Labor Unions in Brazil

In relation to the problem in managing employees, three problems were presented by the respondents, which are presented in the table 13.

Table 13- The Problems in Managing the Labor Unions in Brazil

Problems Involved with	Stated problems
Local labor union	1. Labor unions frequently encourage lawsuits and make procedures to fire employees complicated.
	2. Labor unions require, from time to time, even things that have no legal basis regarding to labor laws
	3. Labor unions interfere with the running of the company with strike

With regards to the 1st problem, the respondent A stated that “Due to the labor unions, the procedure to fire employees is complicated in Brazil.” Respondent B explained why: “After the employee gets fired, in general, they don't know enough about labor laws, but labor lawyers, who are close to labor unions, encourage them to sue the company.” This phenomenon is because in Brazil the labor laws are strictly observed, said respondent B.

With regards to the 2nd problem, respondent C stated that “In order to maintain their influence, the labor unions require, from time to time, even things that have no legal basis when it comes to labor laws in Brazil. Thus, it makes us think that the objective of running a labor union that should be focusing on labor's right, is not completely pure.”

Likewise, “Besides striking, labor unions in Brazil used to interfere with the running of the company in many ways”, said respondent A, who perceived that the Brazilian labor union is militant because their activism is associated with their profits, such as union membership fees, that they can obtain by securing a bigger number of members.

4.2.1.2 The Causes of the Problems in Managing Labor Unions in Brazil

The causes of the problems presented at chapter 4.2.1.2 are presented by the respondents in the following table 14

Table 14- The Causes of the Problem in Managing Local labor unions in Brazil

Presented Problem	The causes presented by respondents
1	The labor laws are strictly observed in Brazil
2,3	1. The nature of running a labor union is not to enhance laborers' rights.
	2. The activism of the labor unions is associated with their economic profits

With regards to the 1st problem, respondent B stated that “In Brazil, the labor laws are strictly observed compared to Korea, so that lawsuits occur more frequently in Brazil.”

With regards to the 2nd and 3rd problems, respondent C stated that “As the objective of running a labor union in Brazil is not to enhance laborers' rights, some bad effects emerge, unlike in Korea” and “The reasons for strike and activism are not to benefit the laborers. It looks like that they are associated with their profits and the objective of maintaining their force.”

4.2.1.3 The Solutions for the Problems in Managing Labor Unions in Brazil

The solutions for the problems presented at chapter 4.2.1.3 are presented by the respondents in the following table 15.

Table 15- The Solutions for the Problem in Managing labor unions in Brazil

Presented problems	The solutions presented by the respondents
1	1. Trying to respect the local labor law completely not to create trouble with labor unions.
	2. Creating opportunities for each other to understand cultural differences.
1,2,	Sharing information about the business situation with employees.

1,2,3	Increase exchange with labor unions to maintain a stable relationship.
2,3	Proceeding with the lawsuit against labor unions

As solutions for all the problems mentioned above, respecting the local labor law completely was presented. “I believe that if we respect the relevant local labor laws completely, the trouble with labor unions must be preventable to some degree”, said respondent B. Regarding the other problems, respondent A stated that “The companies try to touch base with the labor unions or participate in their events to maintain a stable relationship with them.”

As a more active manner to understand each other culturally, the company offers the opportunity to send their employees to Korea so that they can experience the business culture of the country and also shares business information with employees. “It helps the labor unions not to make excessive demands.” said Respondent A. For example, when they decide to raise 10% of their salary, they can accept to adjust the raise to 8%, reflecting employee’s opinions and company’s situation.”, said respondent D.

Besides having such a conciliatory approach, a hard line is also adopted for other problems. “For the foreign companies, proceeding with a lawsuit against labor unions can be an alternative to solving problems with them.”, said respondent C.

4.2.2 Characteristics of Labor Unions

In the second category, that analyses the characteristics of stakeholders, there are two subjects: 1. Distinct characteristics of the local labor unions compared to Korean labor unions and 2. Environments that influence the characteristics of labor union.

4.2.2.1 Distinct Characteristics of the Local Labor Unions compared to Korea

In relation to the characteristics of labor unions, all respondents stated that the difference is bigger between the types of labor unions rather than the difference between countries. The respondent A stated that “The frequency of strikes in Brazilian labor unions is similar to the Korean unions, but it differs by category of union.” Respondent D stated that “Korean labor unions are as fussy as the Brazilian ones.” There is a difference the organizing methods of

labor unions between Korea and Brazil. In Brazil, the case of an industrial union being organized within a specific corporation is prohibited, while in Korea the union organizations are divided in two kinds: industrial union and enterprise union.

Brazilian labor unions are so strong that they take the leadership in their relationship with companies. Concerning this fact, the respondent C stated as a cause “In Brazil, union affiliation is not something that the companies are able to choose and it is already decided by region, regardless of their will.” Respondent A gave an example stating that “Furthermore, the militant labor unions in Brazil are more threatening than the Korean militant unions, and it is difficult to contact them.”

In relation to mediation of conflict between companies and labor unions, according to respondent B and C, in Brazil the companies do not negotiate with the labor unions directly. “In Brazil labor unions and governments decide everything and notify the companies.” and “Even large companies cannot negotiate directly with labor unions.” Concerning the interest of the labor unions, the major interests of the Brazilian labor unions are wage and benefits. The respondent C stated that “In practice, each year they insist that 10% of their salary is increased, regardless of economic growth and management situation of the company.” Unlike them, the Korean labor unions negotiate wage raises at a reasonable level, considering the economic condition.

4.2.2.2 The Environments that Influence the Characteristics of the Labor unions

According to the analysis of the respondent’s statements, it is found that legal environments relate with high rates in the frequency of lawsuits. According to respondent B, because of the legal environment in Brazil, labor unions can sufficiently exert their influence in the companies.

Table 16 - The Comparison of Labor Unions Characteristics between Brazil and Korea

Distinct Features	Brazil	Korea
Labor union organizing methods	1. Industrial union 2. Establishing enterprise union is prohibited.	1. Industrial Union 2. Establishing enterprise union is allowed.
Mediation subject of conflicts	Mostly, the government mediates the conflicts. The	The companies can negotiate with the labor unions

	companies do not negotiate with the labor unions directly.	directly.
Manner for requirements	The labor unions usually ask for salary increase regardless of economic growth and management situation of the company.	Korean labor unions negotiate wage raises at a reasonable level, considering the economic condition.
THE ENVIRONMENTS THAT INFLUENCE THE CHARACTERISTICS		
Legal Environment: As in Brazil the labor laws are strictly observed in comparison with Korea, the labor unions can sufficiently exert their influence in the companies		
COMPARISION OF THE ATTRIBUTES OF STAKEHOLDERS		
Attributes of stakeholders	Brazil	Korea
Influence	Medium-High	Medium-High
Position	Unmanageable	A little unmanageable

4.3 Financial Institutions

From the analysis about financial institutions based on the interview transcription, the themes are divided into two categories: The Issues in Relation to Managing financial institutions in Brazil and characteristics of financial institutions in Brazil.

4.3.1 The Issues in Relation to Managing the financial Institutions in Brazil

The category of The Issues in Relation To Managing the Interaction with financial institutions in Brazil includes the problems, causes of the problems and solutions for the problems, which are perceived by the respondents

4.3.1.1 The Problems in Managing Financial Institutions in Brazil

In relation to the problem in managing financial institutions, four problems were presented by the respondents, which are presented in table 17.

Table 17 - The Problems in Managing Financial Institutions in Brazil

Problems Involved with	Stated Problems
Local banks	1. Slow service and short banking hours
	2. Higher fees and interest rates

	3. Lacking of preferential benefits to customers
	4. Strike of the banks

With regards to the 1st problem, the respondent A and B stated that “Money transfer processes sometimes take more than one day to be done between different banks” and “After the end of the working day, banking activities work cannot be processed because banking hours are short.”

With regards to the 2nd problem, respondent A stated that “As dollar transactions are not accepted in Brazil, additional expenses are always involved in order to exchange to the local currency.” and the respondent B stated that “The interest rate and transaction fees are higher in Brazil than in Korea.”

With regards to the 3rd problem, respondent A stated that “We are not having the preferential benefits that we received in Korea” and “When companies deal with banks in Korea they can get many benefits, such as exemption of transfer fees, raise of credit limits and reduction of interest.”

With regards to the 4th problem, respondent D stated that “Brazilian banks strike every year and that there are many difficulties to work during this period, while Korean banks in Brazil do not a strike.”

4.3.1.2 The Causes of Problems in Managing the Financial Institutions in Brazil

The causes of the problem presented at chapter 4.3.1.2 are analyzed based on the perception of the respondents in the following table 18.

Table 18 - The Causes of Problems in Managing Financial Institutions in Brazil

Presented Problems	Causes perceived by respondents
1	Not identified
2	1.Dollar transactions are not accepted in Brazil
	2.The interest rate and transaction fees are higher in Brazil than in Korea
3	1.Awareness of company is lower than in Korea

	2.They are satisfied with the present situation and complacent in detaining customers
4	In Brazil strikes are frequent

All respondents think that since the local banks in Brazil are satisfied with the present situation and complacent in detaining customers, they do not feel the necessity of offering good services, including preferential benefits to companies. Furthermore, the quality of banking services differ depending on the size of company. Seen that the size of a local subsidiary is generally smaller than the size of the head office, the managers who have worked in both countries are likely to feel that they are receiving relatively lower service quality in Brazil.

For example, according to respondent C, who is working for a large sized company “Our main bank set up an office in the same building of our company to offer services and support us because the volume of our money transactions is high” Respondent A stated that “by and large, the local banks in Brazil don’t satisfy the global standards regarding service quality so companies feel some difficulties.”

4.3.1.3 The Solutions for the Problems in Managing Financial Institutions in Brazil

The solutions for the problems presented at chapter 4.3.1.3 are presented by the respondents in the following tables.

Table 19 - The Solutions for the Problems in Managing Financial Institutions in Brazil

Presented Problems	The solutions presented by the respondents
1,2,3,4	Dealing with Korean Banks established in Brazil

All respondents stated they are transacting with the Korean banks established in Brazil as well as with the local banks. That is because the presidents of Korean banks in Brazil are Koreans, and their management and service in Brazil is the same to when they were in Korea. As a result, Korean companies can require even troublesome tasks that they used to require from the banks in Korea to them.

“In Korea, we could require some tasks to be done even after bank hours, but in Brazil we can

do the same thing to Korean banks only, because they unavoidably meet our request”, said respondent A. Respondent C stated that “by dealing with Korean banks in Brazil, we can prevent troubles that happen with the local banks during strikes seen that Korean banks do not take part in strikes in Brazil.”

4.3.2 Characteristics of Financial Institutions

In the second category: in the characteristics of stakeholders, there are two subjects: 1. Distinct characteristics of the local employees compared to Korean employees and 2. The environments that influence the characteristics of the stakeholders.

4.3.2.1 Distinct Characteristics of the Local Financial Institutions compared to Korea

In comparison with the banks in Korea, the local banks in Brazil are unlikely to make efforts to attract new customers. Thus, the Korean subsidiaries cannot obtain many benefits, such as exemption of transfer fees, the raise of credit limits and reduction of interest rates from the banks in Brazil as much as they do in Korea. In relation with the speed of business transactions, respondent A stated that “In Brazil, the transaction process takes longer than in Korea.”

Further to that, respondent A pointed out that the change of attitude of the local banks in order to secure the customers results from the recent economic recession. “Because of the recent economic recession, now the local banks contact us offering better conditions of service in order to attract us as customers and meet our requests better than before.”

4.3.2.2 The Environments that Influence the Characteristics

Macroeconomic Environment: During the economic rise, the local banks did not have difficulties in securing new customers, so they did not need to compete much by offering better service quality to customers. Now, because of the recent economic recession, the attitude of the local banks is becoming aggressive and they are offering better services to secure new customers.

Table 20- The comparison of the Financial Institution Characteristics between Brazil and Korea

Distinct Features	Brazil	Korea
Preferential benefits	Relatively less benefits	A variety of benefits is offered, such as exemption of transfer fees, raise of credit limits and reduction of interest rates
Business transaction speed	Relatively slow	Relatively fast
Attitude for securing customers	Not positive	Very positive
THE ENVIRONMENTS THAT INFLUENCE THE CHARACTERISTICS		
Macroeconomic environment: During the economic rise, the local banks did not have difficulties in securing new customers, so they did not need to compete much by offering better service quality to customers. Now, because of the recent economic recession, the attitude of the local banks is becoming aggressive and they are offering better services to secure new customers.		
Attributes of stakeholders	Brazil	Korea
Influence	Medium-Low	Low
Position	A little unmanageable	Manageable

4.4 Customers

From the customers' analysis based on the interview transcription, the themes are divided into two categories: The Issues In Relation To Managing Customers in Brazil and characteristics of customers includes the difference of characteristics of Brazilian and Korean customers.

4.4.1 The Issues in Relation to Managing Customers in Brazil

The issues in relation to managing customers refer to the following problems, and solutions for the issue that are perceived by the respondents.

4.4.1.1 The Problems in Managing Customers in Brazil

In relation to the problem in managing customers in Brazil, three problems were presented by the respondents, which is presented in the table 21.

Table 21 - The Problems in Managing Customers in Brazil

Problems Involved with	Stated Problems
Local client companies	1. Due to own mistakes of client companies, payment is not carried out and trading is suspended.
	2. Client companies sometimes do not notify important matters
	3. Securing new customers by beating existing competitors

The problems perceived by respondents occur with local client companies, not with consumers. With regards to the 1st problem, respondent A stated that “There were some cases that payment was suspended because of the mistake of a client company’s employee. Respondent B stated that “Client companies sometimes didn’t notify important things, and we ended up having problems with changes.” The respondent D stated that “It is difficult for the service providers to break through in the close relationship between the existing competitors and local customers”. Besides these problems, others were identified with the respondents and they perceived that in comparison with Korea, managing customers is generally easy.

4.4.1.2 The solutions for the problems in managing customers in Brazil

The solutions for the problem presented at chapter 4.4.1.2 are presented by the respondents in the following table 22.

Table 22- The Solutions for the Problems in Managing Customers in Brazil

Presented Problems	The solutions presented by the respondents
1,2	Trying to increase the chance of communicating with local client companies.
3	Enhancing technology and price competitiveness

As solutions for the 1st and 2nd problems, one strategy was presented. Respondent A stated that “by communicating frequently with client companies, we can prevent setback for business”.

As solutions for 3rd problem, respondent D stated that “The only way to secure new customers is by breaking through in the close relationship between the existing competitors and local

customers and by enhancing technology and price competitiveness.”

4.4.2 Characteristics of Customers

In the second category: the characteristic of stakeholders there are two subjects: 1. Distinct characteristics of the local customers compared to Korean customers and 2. The environments that influence the characteristics.

4.4.2.1 Distinct Characteristics of Local Customers Compared to Korea

According to the respondent A, “Brazilian customers are not sensitive to price rise compared to Korean customers. Rather, they require services with reasonable price, unlike Korean customers. Furthermore, according to the respondents A and B who stated that Brazilian client companies make payments by their due date, while Korean client companies often defer payment for as long as possible. The respondents C and D perceived that in Brazil, in order to make a large-scale deal, personal connections play an important part compared to Korea. All respondents perceived that Brazilian customers are less fussy than Korean customers are.

4.4.2.2 The Environments that Influence the Characteristics of Customers

According to the analysis of the respondent’s statements, it is found that macroeconomic environments influence the distinct characteristics of the customers. As the reason why Brazilian customers are not sensitive to price rise, respondent B pointed out the inflation from which Brazil has suffered historically. “Price rise has been a common occurrence in Brazil, so that customers don’t have antipathy to that.” The respondent A stated that “Brazilian customers understand reasonable price rises, while Korean customers still ask for cheaper prices without understanding the change in the economic situation.”

It is found that market situations also influence the characteristics of the customers. According to respondent A, “Brazil has a supplier-driven market, while Korea has a customer-driven one and in Brazil customers act less picky to suppliers than in Korea.”

Table 23- The Comparison of the Customers' Characteristics between Brazil and Korea

Distinct Features	Brazil	Korea.
Sensitivity to price rise	Less sensitive	More sensitive
Payment problem	Pay on time	Client companies defer payment using many reasons as pretext.
THE ENVIRONMENTS THAT INFLUENCE THE CHARACTERISTICS		
Macroeconomic Environment: 1. Because of consistent inflation in history, price rise has been a common occurrence in Brazil. Therefore, the customers are accustomed with that. 2. Brazil has a supplier-driven market, so customers act less picky to suppliers than in Korea.		
Attributes of stakeholders	Brazil	Korea
Influence	High	High
Position	A little manageable	Unmanageable

4.5 Suppliers

From the analysis about suppliers based on the interview transcription, the themes are divided into two categories: The issues in relation to managing the suppliers in Brazil and characteristics of the suppliers in Brazil.

4.5.1 The Issues in Relation to Managing the Suppliers in Brazil

The issues in relation to managing suppliers refer to the following problems, causes of the problems and solutions for the problems, which are perceived by the respondents.

4.5.1.1 The Problems in Managing Suppliers in Brazil

In relation to the problem in managing suppliers, two problems were presented by the respondents, which are presented in table 24.

Table 24 - The Problems in Managing Suppliers in Brazil

Problems involved with	Stated problems
Local suppliers	1. Suppliers often don't handle the requested works
	2. Suppliers annually raise the supply prices but it is difficult for buyers to bargain supply prices with them

The respondents perceived two problems related to local suppliers. With regards to the 1st problem, respondent A stated that “One of our main suppliers is a custom clearance company but sometimes they do not handle our cargo because of business hour even if they didn’t fulfill their service on time.” Respondent B stated that “Once, one of our suppliers didn’t send us the materials without prior notice, and our business was disrupted.”

With regards to the 2nd problem, respondent D stated that “Suppliers annually request to raise the supply prices, so that the companies unavoidably have to raise theirs because it not easy for the companies to bargain with them.”

4.5.1.2 The Causes of the Issues in Managing Suppliers in Brazil

The causes of the problem presented at chapter 4.5.1.2 are analyzed based on the perception of the respondents in the following table 25.

Table 25- The Causes of the Issues in Managing Suppliers in Brazil

Presented Problems	Causes perceived by respondents
1	1.In some areas there are not enough options for the companies to change suppliers
	2.Suppliers are likely to take leadership rather than buyers in the business
2	1.In comparison with the head office, local subsidiaries have lower brand awareness and purchasing power
	2.Due to the rise of tax, raw material prices rise and suppliers cannot maintain their price

With regards to the 1st problem the respondents perceived two causes. According to the respondent A, B and C, in some areas, monopoly or oligopoly are formed. Based on the condition that a few sizable companies take leadership in the negotiation, buyers sometimes have no option but to choose the suppliers that offer better conditions. Furthermore, in this situation, it is not easy to bargain against the suppliers when they make a mistake and don’t fulfill the engagement.

Still with regards to the 1st problem, the respondents perceived two other causes. Respondent A stated that “Compared with the head office, local subsidiaries have lower brand awareness and purchasing power, so the managers can feel their bargaining power is weaker in Brazil

than in Korea”. Respondent D stated that “Because of the rise of tax, raw material price rises and the suppliers cannot maintain their price. We sometimes have to understand this situation.”

4.5.1.3 The Solutions for the Problems in Managing Suppliers in Brazil

The solutions for the problems presented at chapter 4.5.1.3 are presented by the respondents in the following table 26.

Table 26 - The Solutions for the Problems in Managing Suppliers in Brazil

Presented Problems	The solutions presented by the respondents
1,2	Concentrating purchase order on particular supplier to increase bargaining power
3	Enhancing technology and price competitiveness

As solutions for the 1st and 2nd problems, one strategy was presented. Respondent B stated that “To reinforce control on suppliers, we concentrate purchase orders on particular suppliers. Thus, we can get better service quality and we can take the leadership when negotiating price.”

4.5.2 Characteristic of Suppliers

In the second category: the characteristic of stakeholders there are two subjects: 1. Distinct characteristics of the local suppliers compared to Korean suppliers and 2. The environments that influence the characteristics.

4.5.2.1 Distinct Characteristics of the Local Suppliers compared to Korea

In the second category: in the characteristics of stakeholders, there are two subjects: 1. Distinct characteristics of the local suppliers compared to suppliers of Korea and 2. The environments that influence the characteristics.

According to the respondents B and C, because in Brazil there are not many options when companies need to choose a supplier, they normally have more power than in Korea. Consequently, unlike Korea, where the buyers bargain against the suppliers unilaterally, in Brazil suppliers are considered business partners of equal position to buyers.

4.5.2.2 The Environments that Influence the Characteristics of Suppliers

It is found that the macroeconomic environment is related to characteristics of suppliers in Korea and Brazil. According to respondent A, “In Brazil, during economic the boom, the suppliers had high-handed attitudes compared to suppliers in Korea. However, due to the recent economic recession, suppliers began taking a more submissive attitude and struggle to offer better services to buyers.”

Table 27 - The Comparison of the Suppliers’ characteristics between Brazil and Korea

Disticnts Features	Brazil	Korea
Attitude of suppliers towards buyers	Relatively high-handed	Relatively submissive attitude
Relationship with suppliers	Considered partners	Unilaterally buyer-driven
THE ENVIRONMENTS THAT INFLUENCE THE CHARACTERISTICS		
Macroeconomic environment: during the economic boom, suppliers had high-handed attitudes. However, due to the recent economic recession, suppliers began taking a more submissive attitude and struggle to offer better services to buyers.		
COMPARISION OF THE ATTRIBUTES OF STAKEHOLDERS		
Attributes of stakeholders	Brazil	Korea
Influence	Medium	Medium-High
Position	Little Unmanageable	Manageable

4.6 Governments

From the analysis about the governments based on interview transcription, the themes are divided into two categories: The issues in relation to managing the governments in Brazil and characteristics of governments.

4.6.1 The Issues in Relation to Managing Governments in Brazil

The issues in relation to managing governments is divided into the problems, causes of the problems and solutions for the problems which are perceived by the respondents.

4.6.1.1 The Problems in Managing Governments in Brazil

In relation to the problem in managing governments, five problems were presented by the respondents, which are presented in the table 28. The problems were involved with the state and local governments, and other kind of administrative institutions, such as federal police, customs and the national tax service.

Table 28 - The Problems in Managing Governments in Brazil

Problems Involved with	Stated Problems
State and local governments	1. They do not fulfill the pledge that was offered when the company made the decision on the investment.
	2. They suddenly take administrative sanctions, such as Inspection of fire safety and safety education, etc.
Administrative institutions such as federal police, customs and national tax service	1. The official business process of public offices takes too long.
	2. During the customs' procedures, cargo is frequently detained and even though complementary work is done quickly, the customs' procedures still takes too long.
	3. The tax system is too complicated and the National Tax Service changes it too frequently. In addition, they don't inform the companies when there are changes to the tax system.

Respondent B stated one example for the first case. "One city hall employee visited us suddenly and asked to verify our fire safety inspection certificate, but restrained operations and imposed a fine." Respondent A stated that "When we talked with the person in charge of the state government with regards to administrative supports, like tax incentives and improvement of infrastructure for the establishment of our company in their city, they pledged many things, but they are delaying the promise or not fulfilling it because they replacing the person in charge."

Respondent D stated that "We think that the majority of official business processes of public office regarding to businesses takes too long, especially from the foreigner registration process and we also got in trouble with the slow process of the federal police."

Respondent A, B stated we have had a lot of problem with custom procedure because the custom did not need to detain our cargo but they made a trouble sometimes without

acceptable reason. Respondent C stated “Frequent change of taxation system make us difficult to manage tax issue and it seems like the tax service doesn’t inform the company the changes.”

4.6.1.2 The Causes of the Problems in Managing Governments in Brazil

The causes of the problems presented at 4.6.1.2 are analyzed based on the perception of the respondents in the following table 29.

Table 29 -The Causes of the Problems in Managing Governments in Brazil

Presented Problems	Causes perceived by respondents
1	When replacing the person in charge, the taking over is not completed accurately
2	1.Communication problems happen within the governmental organizations
	2.The governmental organizations target foreign companies in order to fulfill their targets
3	Bureaucracy is prevalent in Brazil
4	The attitude of customs is cliquish, which results from the complicated custom system
5	The tax system is complicated and the governments are interested in increasing tax revenue more than offering services

With regards to the 1st problem, respondent A stated the following as a cause: “It happens because during the replacement period of the person in charge, the one who pledged support to the company made when they attracted them to invest in their city, the taking over is not completed accurately so we have to return to negotiate with the new person in charge.”

With regards to the 2nd problem, the cause was stated as “Sometimes governmental organizations target our company and other small Korean companies to fulfill their targets and because of their communication problems with the organizations, audits or inspections need to be repeated”.

The respondents stated that the bureaucracy is a major factor that contributes for the third problem. With regards to the 4th problem, respondent A stated that “we feel that the people in customs are cliquish, so they often disturb the customs process on purpose. This way, we

cannot cope with this problem because of how complex the customs system is.”

4.6.1.3 The Solutions for the Problems in Managing Governments in Brazil

The solutions for the problems presented at 4.6.1.3 are presented by the respondents in the following tables 30.

Table 30 - The Solutions for the Problems in Managing Governments in Brazil

Presented Problems	The solutions presented by the respondents
2	Using agencies to provide a service in order to prepare for the audit of governments
3	Enjoying the close association with high ranking-officials (senior government officers)
4	Bribing customs to facilitate customs' procedures
5	Using consultancy companies that manage taxes or hire a tax specialist

One solution was presented for the 2nd problem. Respondent B stated that “Using specialized agencies is more an effective counterplan to prepare for the audit of governments, so that it simplifies a complicated procedure when it comes to documentation.”

Respondent D presented a solution for the 3rd problem: “Large companies can solve delaying problems while working on the process for their permissions by borrowing the power of the potentate of government.”

As a solution for the 4th problem, respondent B said that “as far as I know, bribing may be still considered one way to facilitate customs' procedures by the companies of the same field.”

As a solution for the 5th problem, respondent C stated that “The taxation matter is so complicate that we cannot help but hire the services of a consulting company specialized in taxes and also hiring tax specialists to take complete charge of it. Nevertheless, the solutions produced by the specialists lack unity”.

4.6.2 Characteristic of Governments

In the second category: the characteristic of stakeholders there are two subjects: 1. Distinct

characteristics of the governments compared to Korean employees and 2. The environments that influence the characteristics of the stakeholders.

4.6.2.1 Distinct Characteristics of Governments in Brazil compared to Korea

The respondents consider the attitudes of the Brazilian public offices high-handed in comparison to the Korean ones. As an example to this perception, respondent A stated that “it seems like the Brazilian public offices offer the service by considering that the foreign companies invested due to their needs.”

The respondents evaluated that Brazilian governments have a mindset to attract foreign companies, but comparing to Korea or other countries, the support for the companies is deficient. With regards to the taxation system, all respondents considered of the one in Brazil more complex than that of Korea. Respondent C stated some causes by explaining “The public offices put levying taxes on the companies before offering the services in order to attract them and each state has different policies when it comes to the taxation system, that’s why the system of Brazil is more complex than the one in Korea.”

With regards to problems with customs, respondents A and B stated that “It happens because the system is not advanced, so that work processing is not transparent and it tends to happen more with small and medium size companies than with large size companies.

4.6.2.2 The Environments that Influence the Characteristics of Governments

It was found that “Political environment being sustained over a long period formed the present complicated taxation system.” said the respondent C.

Table 31 – The comparison of the Government’s characteristics between Brazil and Korea

Distinct Features	Brazil	Korea
The attitude to treat a company	Relatively high-handed	Relatively cooperative
The interests of the governments	Levying taxes on the companies	Offering better service to attract the investment of the companies.
Taxation system	Complicated	Simple
THE ENVIRONMENTS THAT INFLUENCE THE CHARACTERISTICS		

Political Environment: The respondent C considers that the political environment being sustained over a long period formed the present complicated taxation system		
COMPARISON OF THE ATTRIBUTES OF STAKEHOLDERS		
Attributes of stakeholders	Brazil	Korea
Influence	Medium-High	Medium-Low
Position	A little unmanageable	A little manageable

4.7 Trade Associations

From the analysis about the trade associations based on the interview transcription, there is one theme, which is when the interaction with trade association appears, which then consists of two sub themes: problem in managing trade associations and solutions for the problem.

4.7.1 The Problems in Managing the Trade Associations in Brazil

The problems in managing the trade associations refer to the following problem, which are presented in table 32.

Table 32 - The Problems in Managing the Trade Associations in Brazil

Problems Involved with	Stated Problems
Local trade associations	The process of issuing licenses by local trade associations take a long time

According to the respondents, they have few interactions with local trade associations both in Brazil and in Korea. In the case of large companies, they don't feel the necessity to use the service of the associations. Respondent B and D stated that they are contacting Korean trade associations established in Brazil to help them find buyers and respondents A and C stated that they are contacting with Brazilian trade association to get licensing permission.

However, when the local trade associations issue licenses for companies that are starting their business, this process is likely to take a long time, which results in companies giving up starting business. As a solution for this problem, respondent C stated that "We created a taskforce team to manage the process of acquiring licenses, in which experts related to this process, such as accountants or tax accountants work. These teams focus on preventing delays,

and not shortening time.” Respondent B stated that “maintaining friendly relationships is important so we can contact them when we need.”

From the analysis based on the statement of the respondents, only one difference in characteristics between the two countries was identified. Respondent C stated that “Acquiring licenses in Brazil takes much longer than in Korea.”

Table 33 - The Comparison of the Trade Association’s characteristics between Brazil and Korea

Distinct Feature	Brazil	Korea
Period for issuing a license	Relatively long time	Relatively short time
THE ENVIRONMENTS THAT INFLUENCE THE CHARACTERISTICS		
Political Environment: Because of bureaucracy, issuing licenses takes a long time		
Attributes of stakeholders	Brazil	Korea
Influence	Medium-Low	Medium-Low
Position	Unmanageable	A little Manageable

4.8 Media

From the analysis about the media based on the statement of the respondents, the themes are divided into two categories: The issues in relation to managing the media in Brazil and characteristics of the media in Brazil.

4.8.1 The Issues in Relation to Managing the Media in Brazil

The issues in relation to managing the media refer to the following problem and solution for the problem, which is perceived by the respondents.

4.8.1.1 The Problems in Managing the Media in Brazil

Table 34 - The Problems in Managing the Media

Problems involved with	Presented Problems
Media	1. The bad news reported in Brazil are delivered to Korea, which can damage the image of the company and their stocks.

With regards to the 1st problem, respondent C stated that “If local media reports bad news, they are delivered to Korea very fast and are likely to be announced more seriously by Korean media, so that it results in damaging the image of the company and their stocks.”

4.8.1.2 The Solutions for the Problems in Managing Media in Brazil

The solutions for the problem presented at 4.8.1.2 are presented by the respondents in the following table 35.

Table 35 - The Solutions for the Problem in Managing Media in Brazil

Presented Problem	The solutions presented by the respondents
1	1. Creation of a taskforce team to manage local media
	2. Sponsoring magazines, inviting the people involved in media to their events and entertaining them to promote the company
	3. Educating managers of the subsidiary by using the guidelines made by the head office on how to manage local media

As a solution for the 1st problem, the respondents presented three solutions. Respondent C stated that “We created a taskforce team, which the expatriated executives assumed in order to manage the local media. The priority is to educate the person in charge of managing the local media by using the guidelines made by the head office.” The respondent D stated that “Big companies sponsor magazines, invite the people involved in the media to their events and entertain them to promote the company.”

4.8.2 Characteristics of Media

In the second category: the distinct characteristics of media between Brazil and Korea were not identified.

4.8.2.1 Distinct Characteristics of the Media in Brazil compared to Korea

Table 36 - The Comparison of the Media’s characteristics between Brazil and Korea

Attributes of stakeholders	Brazil	Korea
Influence	Medium-Low	Medium-high
Position	Neutral	A little manageable

4.9 Communities & NGOs

According to the respondents, communities and NGOs are not considered principal stakeholders. Even though the managers recognize a necessity to manage them, for now they don't have any interactions with communities and NGOs. Therefore, the managers think they don't affect the management of their companies or don't affect the companies to which the managers belong.

5. RESULTS AND CONCLUSION

The analyzed results show how the Korean MNCs interact with local stakeholders and explain the distinct characteristics among the common characteristics of the local stakeholders, in comparison with the characteristics of stakeholders that managers experienced in Korea, from their perspective. Based on the statements of the managers, there are two attributes: influence and position were analyzed within eight categories that the managers identified as the stakeholders. These two attributes were analyzed by dividing into Korean Stakeholders and Brazilian Stakeholders, so that they were shown in Figure 8 (Illustration of stakeholder attribute change). It shows the changes of the manager's perceptions about stakeholders occurring when they are sent from the Korea to Brazil.

According to the data analysis, Clarkson identified nine categories of primary stakeholders and one category of secondary stakeholder. The Korean companies are mainly interacting with eight stakeholders and there is effectively not only no interaction with the other two categories of communities and NGOs in Brazil, but no difference of their characteristics between Korea and Brazil that the managers perceived.

Table 37 – The comparison of the Stakeholders between Brazil and Korea

STAKEHOLDERS	DISTINCT FEATURES	BRAZIL	KOREA	INFLUENTIAL ENVIRONMENTS
Employees	Attitude towards work	The employees have less loyalty to companies	The employees have more loyalty to companies	Cultural Environment Legal Environment Macroeconomic environment
	Preference for business fields	The employees prefer specializing themselves in specific areas in their career	The Koreans prefer to work covering all sorts of fields in their career	
	Turnover rate	Relatively high	Relatively low	
	Method of ordering tasks	As the employees are not familiar with indefinite orders, the superiors need to order concretely	As the employees are familiar with indefinite orders, the superiors expect that the employees will solve the matter somehow	

Labor Unions	Organized method	Industrial union	1.Industrial Union 2.Unions Established in company	Macroeconomic environment
	Mediation Subject Of Conflict	Mainly Government	Mainly Company	
	Manner for Requirements	Requests are made regardless of the situation of a company	Requests are made considering the situation of a company	
Financial Institutions	Preferential benefits	Relatively less benefits	A variety of benefits	Macroeconomic Environment
	Business transactions' speed	Relatively slow	Relatively fast	
	Attitude for securing customers	Not positive	Very positive	
Customers	Sensitivity to price rises	Less sensitive	More sensitive	Macroeconomic environment
	Payment problems	Pay on time	Sometimes don't pay on time	
Suppliers	Attitude of suppliers to buyers	Considered as partners	Unilaterally buyer-driven	Macroeconomic environment
	Relationships with suppliers	Relatively long time	Relatively short time	
Governments	The attitude to treat a company	Relatively high-handed	Relatively cooperative	Political Environment
	The interests of the governments	Levying taxes on the companies	Offering better service to attract investment of companies	
	Taxation system	Complicated	Simple	
Trade Associations	Period for issuing a license	Relatively long time	Relatively short time	Political environment
Media	Not identified	-	-	-
Community	Not considered as principal stakeholders	-	-	-
NGO	Not considered as principal stakeholders	-	-	-

It is shown that the respondents are recognizing one or more problems with all categories of stakeholders. The number of problems that the managers recognize are five related with governments, four with employees, four with financial institutions, three with labor unions, two with suppliers, one with trade associations and one with media.

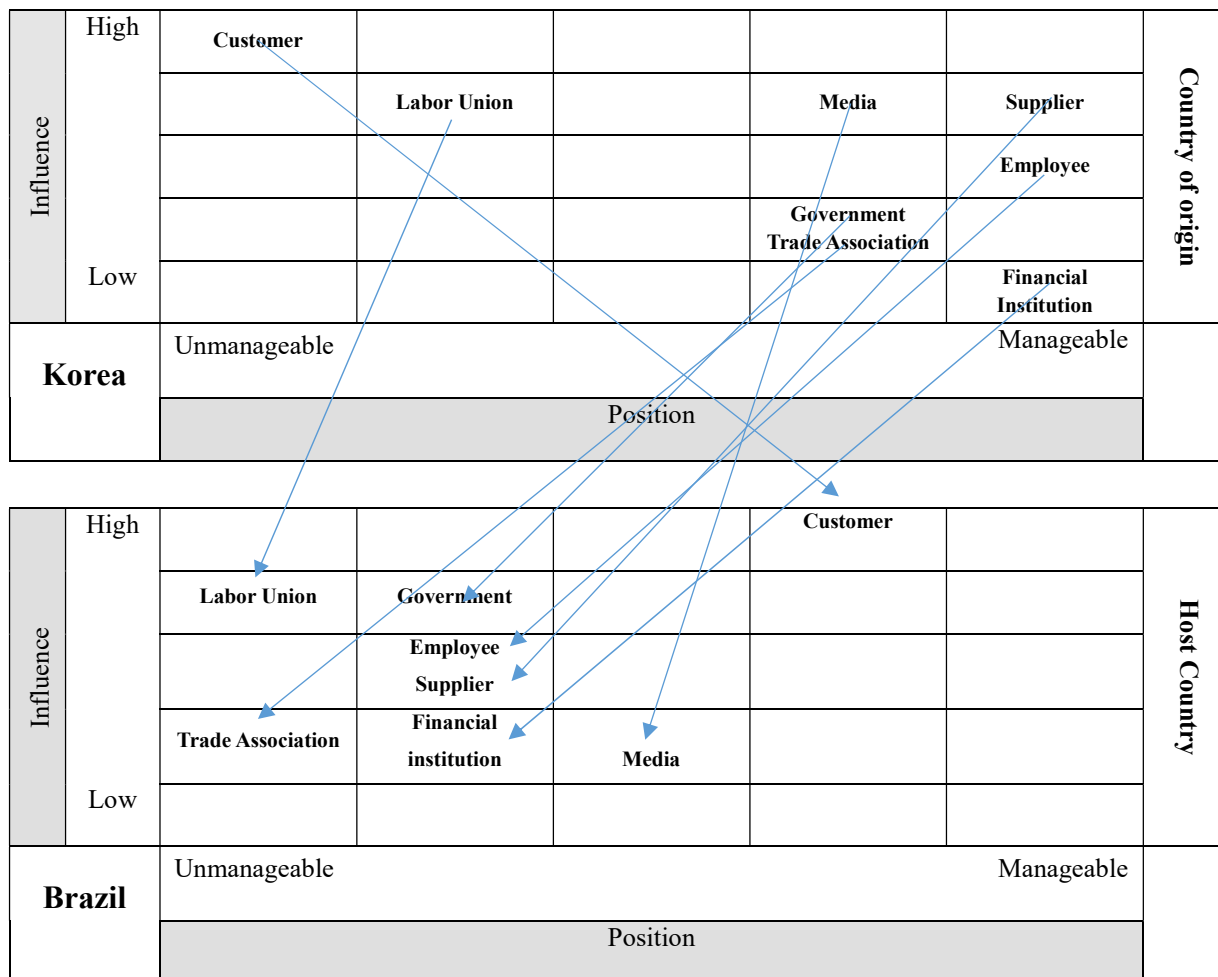
In reference to the distinct characteristics of the local stakeholders comparing to the stakeholders in Korea, five characteristics were identified with employees, three with

governments, three with financial institutions, two with customers, two with suppliers and one with trade associations, but no difference was identified with the media.

It is found that the environment that influences the characteristics of the local stakeholders is the macroeconomic environment, which was related in five categories of stakeholders, two in the political environment and one in the legal and cultural environments.

Figure 8 illustrated the degrees of influence and position of the stakeholders established based on the modes calculated from the answers of the four respondents as explained in 3.6. It shows when the managers sent to Brazil after working in Korea manage the local stakeholders they perceive that all kinds of stakeholders are more unmanageable in Brazil, except the customers. It is shown that there is a bigger difference with employees, suppliers, financial institutions and trade associations and less difference with governments, labor unions and media, in this order.

Figure 8- Stakeholder Attribute Change



It is shown that the difference of influence between the two countries, there is no difference in customers, labor unions and trade associations, a small difference in financial institutions and suppliers, and bigger differences in governments and media.

The results of the data analysis about the differences of the stakeholders' characteristics was passed to the respondents again, to request a comprehensive assessment and validation about them. In this process, the respondents commonly regarded employees, governments, labor unions, suppliers and customers as the most important stakeholders in order to understand the distinct characteristics.

Firstly, in the case of the employees, as the managers are able to interact with them every day, relatively more characteristics that are distinct were established and the second largest number of problems were found in the case of governments. Among the many problems, in particular, the companies try to strategically manage and avoid in advance the possibility that the employees sue their company and report them to labor unions, because it can influence the operations of the company and lead to problems with labor unions.

In reality, cases where mainly blue-collar workers sued large Korean companies have been frequent. For example, one of the largest electronic companies was sued for violation of labor laws, one Korean construction company faced strikes seven times and the labor prosecution, because of the workers' accommodation environment, examined one Korean automotive company. It is pointed out that these problems occur because of the way that Korean large companies have treated their employees in Korea was not changed in order to be acceptable in the local environment, as well as because of the peculiarity of more than two million legal actions having occurred by active labor prosecution in Brazil.

In consequence, the Korean companies recently are trying to being quite careful not to violate labor laws when managing their employees and fundamentally maintain good relationships with them. Furthermore, they are making a variety of activities to maintain close relationships with labor unions. As the distinct characteristics between Korean and Brazilian stakeholders, the working attitude, preference for business fields, frequency of changing jobs and method of ordering tasks were presented. However, among them, Brazilians employees' attitude towards work refer to weight between personal and professional lives and work tends to differ by region in Brazil. For example, when compared with other regions, the employees who work in

São Paulo are more likely to be devoted to their job and want to be credited for job performance. The respondents understand that this is because employees in São Paulo are relatively accustomed to various climates formed by multinational companies from different countries.

With regards to the frequency of changing jobs, unlike Korean employees that consider their company as jobs for life, Brazilian employees tend not to stay in one company for a long time. Therefore, it makes training specialists difficult and Korean companies offer more incentives to good employees or promote them earlier to try to reduce this frequency. When it comes to preference for business fields and method of ordering tasks, the Korean companies perceive the importance of understanding them and know that if they don't, they can cause inefficiency in conducting business. Therefore, recently the necessity of educating the managers before sending them to Brazil about such characteristics is being posed to the companies.

In the characteristics of the local stakeholders, multidimensional environments, mainly divided into cultural, legal, macroeconomic and political environments, interrelates complexly and influence them. It is found that among them, the macroeconomic environment is the one that can change in the short term, affecting the current change of stakeholder's characteristics.

The aforementioned law suits regarding labor laws when managing employees relates to the issues in managing labor unions. Even though there are some militant labor unions in Brazil, it is difficult to deal with them if the companies observe the labor laws and the frequency of conflict with the labor unions in Brazil does not seem to differ from Korea. Rather, there are bigger differences between industries than between countries. For example, in both countries, commonly, the metal industry unions and the cargo transportation unions are likely to be more militant than other kinds of industry unions, but, due to the ignorance of local labor laws and cultural differences, the companies often get involved in lawsuits and strikes.

Accordingly, the companies are trying to make the opportunities that the companies and labor unions understand each other. For example, one of the Korean electronics company invited the representatives of the labor union to their head office in Korea so that the representatives could experience the business' culture and union social responsibility (USR) activities that they are supposed to support.

USR was conceptualized by Dawkins C (2010), who stated that "Labor unions also must

fulfill their social responsibility like CSR.” According to him, “Labor union’s social responsibility occurs to the extent that labor unions employ their voice to enhance the standing of their stakeholders in areas of economic equity and efficiency, workplace rights and protections, and social justice.” He also empathized that “USR reconciles the interests of their stakeholders in a manner that is consistent with ethical principles and the social contract.”

Within the framework of USR, the characteristics of Brazilian labor unions lack many things. They appear in the details presented as distinct features, such as manner for requirement of Brazilian labor unions that normally they ask for salary increase regardless of the economic growth and management situation of the company, and also stated as problem that labor unions require, from time to time, even things that have no legal basis when it comes to labor laws. Further, the Korean companies think that Brazilian labor unions are more unmanageable than Korean labor unions. It is difficult to negotiate directly with Brazilian labor unions because the governments mediate the conflicts due to labor unions organization method.

In relation to governments, there are no frequent interactions, but the Korean companies from time to time experience some problems. These problems are derived from the complicated system and lack of the support by the local government, which sometimes can create setbacks for the normal activities of the company. Therefore, in order to solve the delays and problems derived from this complicated system, the Korean companies are somewhat overcoming them through measures such as lobbying, bribing or by using consultancy agencies.

The managers, however, didn’t present solutions for the lack of support to foreign companies. In fact, when the company decides to do investment abroad, they expect active support from local governments because of their contribution to the local economy. It is found that in the case of Brazil, local governments pledge their support before the foreign companies decide to do the investment, but after entering the market, many companies do not often receive support as much as they expected.

The companies are feeling that the governments consider the foreign companies as only an object of taxation, because in the view of the governments, the foreign companies invested merely for their own economic interests so they are more interested in regulating the companies than supporting them. In relation to the tax system, which is categorized as a

distinct characteristic of the local governments, it appears that Brazil has a more complicated tax system compared to Korea. According to Joe Harpaz (2013), who contributes with Forbes on tax news, “Brazil has developed so quickly that there is a dizzying array of tax codes from one region to the next, some of which contradict one another.”

The report “Paying Taxes 2014: The Global Picture” presented an indicator that measured the time taken to prepare, file and pay three major types of taxes and contributions: corporate income tax, consumption and labor taxes. In this data, tax specialists spent 2,600 hours per year to comply with the taxes in Brazil, while they spend only 187 hours in Korea. Furthermore, in comparison with the Russian federation, where tax specialists spend 177 hours, China where they spend 318 hours and India where they spend 243 hours, Brazil is the country where there is the needed to spend much more time to comply the taxes.

It was found that because of these two distinct characteristics, the attitude of Brazilian governments towards companies and the complicated taxation system, Korean companies are being influenced more by Brazilian governments than Korean governments and having more managerial difficulties in Brazil. The Korean companies realized that there are big differences between local suppliers and local customers comparing to the suppliers and customers in Korea. With regards to relationships with local supplier, Korea is unilaterally buyer-driven. For example, a client company has unilateral leadership from the suppliers, which must accede to the majority of demands from clients. Therefore, because of this atmosphere, the overbearingness of the clients toward the suppliers deepens as a social issue in Korea.

In this atmosphere, even though Brazilian clients have some complaints, Brazilian suppliers do not consider it as seriously as Korean suppliers do and because of inflation, the Brazilian suppliers are likely to frequently request a rise of the supply price, whereas Korean suppliers feel embarrassed about it. As a result, in Korea, the clients are capable of fully controlling the suppliers and managerial problems rarely happen, while in Brazil, their relationship is different and Korean managers often face managerial problems.

On the contrary, regarding the case of the suppliers, when a Korean company treat the clients in Brazil, they are in the same position of Brazilian suppliers. Especially when the companies manage the client companies in Korea, they had trouble asking for a rise of the supply price derived from the rise of raw material’s price or general inflation. Moreover, even if some

trifling faults occur in supply, the client companies calculatedly postpone their payment to oppress the suppliers. However, in Brazil the clients seem to not be sensitive to the rise of product prices, so the Brazilian suppliers have less chance to increase the price and postpone the payment than Korean suppliers. Therefore, the managers perceived Brazilian clients are much more comfortable than in Korea.

This study compares relatively the details that the Korean managers are actually feeling in management between the two countries, with their different environments. If the characteristics are simply listed, focusing on only one country, the examples observed in one country may be analyzed by absolute standard and the analysis can be subjective. In addition, this study presents the distinct characteristics observed in management by priority order and it helps to understand the important points effectively.

In addition, in the difficult situation to find not only the study that compares the characteristics of the stakeholders but also the comparative study that deals with specific countries, the results of comparing the characteristics can help the managers grasp the causes and existing strategies analyzed for the problems as well as effectively establish strategies to manage the stakeholders. This study offers additional recommendations to the managers of Korean Multinational Companies by highlighting some strategic points among a number of findings:

- The Korean managers need to understand that the relationship of the suppliers and the buyers in Brazil shows that suppliers are comparatively considered business partners of equal position to buyers unlike in Korea, where the buyers have leadership unilaterally against the suppliers. Therefore, in managing suppliers, customers and financial institutions, Korean managers do not have a power of control over in Brazil as much as in Korea and the managers are likely to perceive that they are relatively unmanageable.
- It is necessary for the Korean managers to know that the attitudes of the employees towards their jobs are very different from the Korean employees and they need to prepare the strategies for managing Brazilian employees without problems. In Brazil, legal environments firmly support the rights of employees and macroeconomic environments have enabled the employees to change jobs more freely so that they can

work in the way of improving treatment. Therefore, if managers are expecting that Brazilian employees work with the same attitude of Korean employees, who still have an idea of a lifelong workplace and loyalty to their companies, they can face unexpected problems since the beginning.

- It is found that multidimensional environments affect the characteristics of the local stakeholders. Among them, the changes of economic environment leads to the change of the stakeholder characteristics. In particular, the changes made in the short term happen mainly with local employees, financial institutions and suppliers. That is why the companies need to pay attention to not only prevalent environments but also to the changes of environment made in the short term.

This study, however, has some limits, which need to be addressed in future studies. Firstly, in this study, the data collection was done from the companies that intermediately produce products and offer services to mainly other companies, not from the companies that manufacture and offer services to end-consumers, the analyzed data cannot represent all industries. If in future researches a comprehensive study is proceeded with data collected from all kinds of industries, it will be able to be a generalized study about stakeholder characteristics.

Further to this, the quantitative studies have to follow regarding the characteristics presented as a result after analysis' process. For example, researchers can verify statistically which stakeholder characteristics influence managing companies in Brazil and prioritize the important characteristics by stakeholder or influential stakeholders. The research about the relations between the influence of multidimensional environments and the formed stakeholder characteristics will lead to advanced research in stakeholder analysis.

Therefore, taking this opportunity in future studies to have discussions based on the richer data segmentation by established year of subsidiary, position of the manager, established reason, industry type or stakeholder group are made they will be able to contribute to the development of effective and applicable strategies for stakeholder management. More specifically, when these suggested future studies are carried out, the managers will be able to analyze local stakeholders accurately by adapting their features to the companies and local environments.

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