The relationship between primary stakeholders’ pressure and Japanese subsidiaries’ CSR in Korea

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I. Introduction

Although there have been fluctuations in the volume of foreign direct investment (FDI), multinational enterprises’ investments into foreign markets have dramatically increased during the last three decades. Together with the extension of investment motivation by multinational enterprises (MNEs) (i.e., profit maximization), the primary reason for this trend resides in the fact that local governments have gradually realized benefits from FDI (e.g., the creation of employment, the acquisition of valuable foreign technology, and the increase of exports). However, it does

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not mean all local governments possess favorable attitudes toward foreign investments. Some shed light on the dark side of FDI (e.g., capital drain and adverse effects of severe competition), try to inhibit the inflow of foreign capital and nationalize existing foreign subsidiaries. In this situation, we believe that one of the best ways to mitigate such antipathy is perhaps corporate social responsibility (CSR) activities undertaken by MNE subsidiaries.

In addition, Koreans commonly share considerable national antagonism towards Japan, due to the historical background between the two countries. In this vein, it is particularly important for Japanese MNEs to pursue good citizenship by doing CSR in the market and meeting the expectations of ‘consumers’, ‘internal managers and employees’, ‘local government’ and ‘suppliers’, which are all primary stakeholders. Under this idea, the objective of this research is to identify key drivers positively affecting ethical behaviors of Japanese subsidiaries in Korea. We hope that this research will expand our understanding of CSR, which has emerged a significant attraction of scholarly attention in international business domains and contribute to current knowledge stocks.

II. Hypotheses Development

Local stakeholders not only influence business environments in foreign markets but also prefer to interact with firms that evince better CSR\textsuperscript{1). This implies that although MNE subsidiaries are eager to obtain