

# **Analysis of Management at Transnational Corporations in Korea**

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## **I. Scope of the Study**

Though transnational corporations have been in existence for many years, transnationals have only recently become the subject of intense analysis for their contributions toward economic development as well as problems stemming from their operations in a host country.

There are numerous literature on various aspects of transnational corporations available but relatively little focus has been placed on the transnational's management system and the motivation and objectives and their decision making process. Thus, this study attempts to analyse transnational's management system by investigating various factors of management and their structure which determines their decision process. Specifically, the study focused on key factors such as their investment motivations, composition of managerial personnel, employment, marketing activities, pricing, and degree of control by foreign investors in various areas of managerial function.

Transnational corporations are viewed from two contrasting concepts. One is as potentially contributing to the economic development by increasing employment, transferring technology, and supplying scare capital in the host economy. The other concept is as a disruptive force for doing any one or combination of the following: paying wages in excess of the going rate in an area: introducing labor-saving technology when there is unemployment in the country: making some national enterprises noncompetitive: increasing local incomes, thus increasing demand for import of consumption goods: and remitting substantial dividends to the home country.<sup>(1)</sup>

The purpose of the study reported here is intended to do in-depth analysis of management practice and its system in the transnational corporations. This was attempted through a questionnaire which is attached here as an appendix.

The decision as to which companies should receive questionnaire was based on our definition of transnational corporations as being defined in our research proposal:

"Enterprises which satisfy one of the following requirements:

- i) corporation with foreign capital participation of more than 50%:

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(1) R. Pohlman et al., "Policies of Multinational Firms: A Survey," *Business Horizons*, (December 1976), pp 14-18.

- ii) corporation with foreign capital participation of less than 50% but with foreign management control."

According to the government statistics, there are 180 companies which satisfy the above definition. Accordingly, the questionnaire were sent to all of 179 corporations. All corporate addresses to which the questionnaires were mailed were obtained from the EPB (=Economic Planning Board), Republic of Korea and the queries were addressed to the chief executive officer of the corporation. In all, 74 corporations send us back the questionnaires up to now, which is 50% responding rate. However, the research team plans to send out research assistants to those corporations which did not respond to our queries in order to get back the unanswered questionnaires in due courses.

The questionnaire consisted of several major questions. First one dealt with background information about the TNC, including amount of capital and loan from oversea, number of employee, their major products, and their sales. The second one dealt with investment motivation of the TNC. The third one dealt with source of raw material. The fourth one dealt with export channel and sales to domestic market. The fifth one dealt with the government restrictions on investment contract. The sixth one covered management practice in various areas of managerial function.

Among the corporations responding to the questionnaire, 54 are Japanese-invested companies, 12 are American-invested companies, 2 and from West Germany. One each from the United Kingdom, Netherlands, Iran, Kuwait, France, and Hong Kong.

In tabulating the outcome of the questionnaire, transnational corporations (TNC) are categorized into 5 different types.

These are,

Type 1: TNC with Japanese majority ownership

Type 2: TNC with 100% Japanese ownership

Type 3: TNC with American majority ownership

Type 4: TNC with 100% American ownership

Type 5: TNC with other country ownership.

## II. Analysis of Management at Transnational Corporations in Korea

### 1. General information

In the sample, there are 28 TNC's with Japanese majority ownership, 26 TNC's with 100% Japanese ownership, 5 TNC's with American majority ownership, 7 TNC's with 100% American ownership, and 9 TNC's with other countries.

On the average, TNCs with Japanese ownership has been in operation for 6 years and 9 years for TNC's with American ownership.

The average ratio of local ownership at TNC's with Japanese majority ownership is 44% and at TNC's with American majority ownership is 45%.

In all, the sample included 54 TNC's with Japanese ownership, 12 TNC's with American ownership, and 8 TNC's with other countries' ownership.

### 2. Employment

The sampled TNC's employ 48,944 persons in all, or 19,676 male and 29,265 female at the present time, which is 60% male and 40% female. However, at the time of establishment, they employed only 10,272 persons, which means they have increased their employment by 5 times.

Out of the 74 TNC's, they have the following distribution in terms of number of employment.

number of employee	number of companies
0~100	16
100~200	19
200~300	9
300~400	7
400~500	3
over 500	20

The above shows that about one half of the sampled TNC's hire less than 200 people, which means, in general, small employees, and about one fourth of them hire more than 500 people,

Analyzing the educational level of these employees, 90% of them are high school graduates or has less education. Only 10% of them are the college graduates. This means that most of the employees are hired for use of their labor.

In the subsequent data, it shows that 81% of the employed are engaged in production and 19% of them are engaged in administrative job.

Analyzing the structure of management personnel,<sup>(2)</sup> 80% of the TNC's with 100% Japanese ownership have Japanese majority on the Board of Directors, while more than half of the TNC's with Japanese majority ownership have local majority on the Board of Directors. It is also interesting to notice that 3 out of 7 TNC's with 100% American ownership have local majority on the Board.

Thus, it is evident that TNC's with 100% Japanese ownership mostly have their own Japanese personnel. But if a TNC is a joint venture with Korean minority ownership, they tend to have either local majority or equal number of local vs. foreign people on the Board. TNC's with American majority ownership tend to have equal number of local vs. foreign people on the Board. Those TNC's with 100% American ownership shows an interesting trend that at the time of establishment they had majority of foreign people on the Board, but later local majority on the Board was increased by two companies (out of 7 TNC's with 100% American ownership).

### 3. Capacity utilization

In terms of capacity utilization, TNC's with 100% foreign ownership achieved 92% on the average, while TNC's with foreign majority ownership

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(2) Management personnel is defined as those on the Board of Director, i.e. person on or above the members or Director. In Korea, the Board is an operating board and consists of key management personnels in the company.

achieved average 85% capacity utilization, It shows that TNC's with 100% foreign ownership achieve higher capacity utilization rate than that of TNC's with foreign majority ownership by 7% in 1977. In 1976, TNC's with 100% foreign ownership achieved higher capacity utilization rate than that of TNC's with foreign majority ownership. Also it should be noticed that TNC's with 100% foreign ownership have increased their plant utilization rate year by year through 1975~1977. On the other hand, TNC's with foreign majority ownership lowered their capacity utilization rate in 1976 in comparison with the previous year, 1975, then, they increased the rate by 7% in 1977.

This may have resulted from the fact that TNC's with 100% foreign ownership simply operate their plants to manufacture whatever products the parent companies want to do, while TNC's with foreign majority ownership is directly responsible for their marketing activities in the midst of ups and downs of the world economy.

#### 4. Use of raw material from overseas

With regard to the questions of what the reasons for using foreign raw material, most TNC indicated that there are no local supply of raw material at all or no raw material of proper quality from local sources. But, in the case of TNC with Japanese ownership, some companies indicated that either local raw material is too expensive or foreign investment contract specified supply of raw material from overseas sources.

Another question was asked what percentage of foreign raw material they used at the time of establishment and also what percentage of foreign raw material they use now.

According to the result, TNC with 100% foreign ownership used 10% or less than 10% local raw material. Specifically, TNC with 100% American ownership used only 3.3% local raw material on the average at the time of establishment and 10.7% local raw material on the average for the TNC with 100% Japanese ownership. The usage of local raw material for TNC

with 100% American ownership increased to 9.2% and 19% for TNC with 100% Japanese ownership. Thus, there has been steady increase of local raw material for these TNC's but only reached up to 20%. From this analysis, it is evident that TNC's with 100% foreign ownership were established basically to utilize cheap skilled labor in Korea, thus processing their raw material by the use of cheap labor here.

On the other hand, TNC's with Japanese majority ownership used local material up to 46% out of their total usage at the time of establishment and remained at that rate. TNC's with American majority ownership used local raw material up to 26% out of their total usage at the time of establishment and increased the usage to 35% in 1977.

In general, there is tendency that TNC's with American ownership use less local raw material and use more foreign raw material than TNC's with Japanese ownership. This may be due to the characteristics of product which the different types of TNC's manufacture.

##### **5. Degree of control on management by the foreign investor**

With regard to control on management exercised by the foreign investor, the different type of TNC seems to apply different control devices.

In the case of TNC with Japanese majority, very strict control is placed on investment plan. Then, control over operations plan and accounting control and auditing are ranked as second most strict in these companies. In short, it is evident that control is placed mainly on:

- investment plan
- operations plan
- accounting control and auditing

For TNC with 100% Japanese ownership, it seems that control is mainly placed on:

- investment plan
- marketing activities
- pricing

operations plan

Thus, these TNC's are owned by the Japanese companies and they are operating these TNC's by making important decision in major areas of management function.

In contrast, those TNC's with American majority ownership place strict control over:

budget and

investment plan

Thus, American companies utilized traditional accounting and financial control devices, while TNC with Japanese majority ownership utilizes control on operational plans and accounting audit.

With TNC's with 100% American ownership, major control is placed on:

pricing

investment plan

operations plan

These controls are similar to what is being done in TNC with 100% Japanese ownership.

In conclusion, in TNC's with 100% foreign ownership, the foreign investors actually manage the TNC's by making all the major decisions in operations, investment, pricing, and marketing activities. On the other hand, TNC's with Japanese majority ownership are managed by the foreign investors through control of investment plan, operations plan, and accounting audit, while TNC's with American majority ownership are run by the foreign investors through control of budget and investment plan, less through control of operational plan.

## 6. Pricing decision

Another question asked was who plays major role in pricing decision. In this respect, TNC's with foreign majority ownership indicated that both domestic and foreign investors have equal rights. In addition, some TNC's indicated that their price is set by the government. At the present time,



the Korean government attempts to curb inflation through price setting on all monopolistic and oligopolistic products. Due to this government policy, some TNCs prices are set by the government.

For TNC's with 100% foreign ownership, it is natural to anticipate that their price is set by the foreign investor.

### 7. Hiring practice

Until a few years ago, few company hired their employees through public announcement. At that time, companies hired people through introduction by friends. But, the recent phenomenon of manpower shortage forced companies to change their hiring practice.

The same is applicable to most of TNC's, where they hire employees through public announcement. Under these circumstances, it is interesting to notice that a few of TNC's with 100% foreign investment still hire employee through introduction by friends.

### 8. Markets

Asked about sales to overseas as well as domestic markets, TNC with 100% American ownership indicated that their whole production is mostly taken by the foreign investor or exported to the U.S. By the same token, half of TNC with Japanese ownership indicated that all of their production is either taken by the foreign investor or exported to Japan.

Thus, in the case of TNC with 100% foreign investment, their intention is to produce the products in Korea, then to take most of them back to their countries.

It contrasts with Lee's recent study. He contends that U.S. direct investment in Korea is domestic-market-oriented and Japanese direct investment in Korea export-oriented.<sup>(3)</sup>

But as may be reported here, no different market orientation between

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(3) Chung H. Lee, *Direct Foreign Investment in Korea*, Korea International Economic Institute Seminar Series No. 23 (Seoul: KIEI, 1979)

U.S. and Japanese firms can be found. Although it has indicated that most of TNC in the form of joint venture had sales to domestic market, their sales in domestic market are less than 10% of total sales. In the case of TNC with Japanese majority, only 4.4% was domestic sales in 1975, 1% in 1976, and 6% in 1977. In the case of TNC with American majority, only 1.6% of total sales was domestic sale in 1975, 1% in both 1976 and 1977.

Therefore, the result reported here presents no different market orientation between U.S. and Japanese transnationals. Furthermore, it can be reached from the sample, which may have some bias in the form of nonresponse, that all transnationals in Korea are heavily export-oriented with regard to sales amount.

### III. Investment Motivation

#### 1. Investment motivation for foreign investor

With regard to a question concerning the investment motivation of foreign investors, it is evident from the result that utilization of cheap labor and benefits of tax holidays and advantages are main motivating factors for the TNC.

In addition, except TNC with American ownership, Japanese corporations ranked third in importance to have a industrial base in Korea. Also the motivating factor to have market development in other countries by export from Korea received as much importance as the establishment of industrial base in foreign country.

For those TNC's with 100% Japanese ownership, they ranked the utilization of export free zone third, but this motivation may be considered equivalent to utilization of cheap labors, tax advantages, and establishment of industrial base in foreign countries, while TNC with American ownership is more motivated by the utilization of cheap labor and tax advantages.

This result is consistent with two other findings studied earlier. The first is a survey by Chi,<sup>(4)</sup> who asked a sample of U.S. and Japanese firms operating in Korea to rank various motives in Korea. For both the U.S. and Japanese firms the most important factor was the availability of relatively inexpensive labor. The high growth rate of the Korean economy was more important for the Japanese firms than for the U.S. firms. The second study is a survey by Chung.<sup>(5)</sup> He found the availability of relatively inexpensive labor to be of secondary importance for investing in Korea, and the incentives offered by the Korean government to be of primary importance.

In the research on direct investment in Taiwan, Riedel<sup>(6)</sup> contends the most important factor for export-oriented direct investment is the availability of relatively inexpensive labor in the host country.

Therefore most transnationals come to Korea to take advantage of her cheap labour and bring the products back to their home market to compete successfully against foreign exporters. Of course, they may export their products to countries other than Korea. In addition, Japan probably has more advantages than U.S. because of closeness to Korea, cultural ties and very low communication cost.

## 2. Joint venture motivation for Korean investors

In contract to the above, it was asked why Korean investors established joint ventures with foreign investors. In the case of TNC with Japanese ownership, the need of technical assistance and improvement ranked first in its importance. The lack of capital and development of overseas market

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(4) C. Chi *Theory of Direct Foreign Investment* (in Korean), (Korea University Press, Seoul, 1975).

(5) B.S., Chung "The Choice of Production Techniques by U.S. and Japanese Subsidiaries in Korea", an unpublished Ph. D. thesis, (University of Hawaii 1976).

(6) J. Riedel "The Nature and Determinants of Export-Oriented Direct Foreign Investment in a Developing Country: A case Study of Taiwan, " *Weltwirtschaftliches Archiv*, 1975, Band III, Heft 3, pp. 505-526

and steady supply of raw material received almost equal importance in its second place.

On the other hand, TNC with American ownership placed equal importance on lack of capital and the need of technical assistance and improvement.

Thus, in the case of joint ventures, Korean investors established them in order to overcome the lack of capital and technical knowhow. In addition, the Japanese participation is sought to facilitate the steady supply of raw material and the development of oversea market through their participation at the early stages of economic development.

Though Ozawa<sup>(7)</sup> pointed out that small Japanese firms investing overseas possess only standardized technology and general industrial experience, the result here is noted in for Korean investors the need of technical assistance and improvement ranked first in its importance.

#### IV. The Investment Climate of Korea

##### 1. Government restriction on investment contract

Generally, it seems that there are little government restrictions on the terms of investment contract. TNC with 100% American ownership felt almost no restriction on their investment terms except one company where there was advice from the government to establish a joint venture with local people rather than 100% foreign investment. In the case of TNC with 100% Japanese ownership, 5 companies reported to have government advice to have joint ventures with local people. Despite these advices, those companies set up their own corporations without any joint venture partner. It reflects the flexibility of the Korean government on the foreign investment. On the other hand, 7 Japanese corporations and 3 American companies

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(7) T. Ozawa *Transfer of Technology from Japan to Developing Countries*, UNITAR Research Reports No. 7, (United Nations Institute for Training and Research, New York, 1971).

received such advices from the Korean government and set up TNC with their majority ownership. Thus it is evident that the Korean government is concerned with ownership structure of the TNC.

The Korean government is also concerned with local production of parts and employment of local personnels. These two factors are directly connected with technical training and employment of local people and it is consistent with what the government aimed to achieve from the foreign investment.

## **2. Problems in operations of TNC**

TNC's were asked what managerial difficulties they are facing now. For TNC's with Japanese majority ownership, they list the following as the major problems.

- lack of capital
- lack of skilled manpower
- rise in price and wage

However, TNC's with 100% Japanese ownership listed 3 major problems as the following:

- difficulties in obtaining raw material
- rise in price and wage
- lack of skilled manpower

Basically, the two different types of TNC face typical problems stemming from the rapidly growing Korean economy, i.e., rise in price and wage, and lately, lack of skilled power. However, they are different from one another in the sense that the first faces lack of capital under the joint ventureship between Korean and Japanese companies, while the second one faces, not the lack of capital, but the difficulties of obtaining raw material. Thus, it is noted that, under the TNC's with Japanese majority ownership, there are lack of capital and are not provided with sufficient fund for operations.

On the other hand, TNC's with American majority ownership seem to have managerial difficulties in sales. In contrast, TNC with 100% American

ownership experienced managerial problems in obtaining raw material and skilled manpower. These problems are identical with those experienced by TNC's with 100% Japanese ownership.

### **3. Social capital**

With regard to what social capital is most needed for the TNC's, generally, they indicated lack of the following:

- supporting facilities

- transportation facilities

In addition, TNC's with Japanese ownership indicated the difficulties of obtaining labor forces.

### **4. Factors inhibiting satisfactory job performance**

Asked about what factors inhibit satisfactory job performance at TNC, different type of TNC listed different factors. For the TNC's with Japanese majority ownership, those corporations listed factors of inhibiting satisfactory job performance as the following:

- numerous control by the government

- prestige of organization outside the enterprise

- lack of consistency in policies of foreign investor

- lack of job security

- low salary

In the above, the prestige of the organization outside the enterprise should be interpreted as the burden of having Japanese name or Japanese investment in Korea.

For the TNC's with 100% Japanese ownership, they listed the following factors:

- lack of clear definition of management objectives

- numerous control by the government

- low salary

- strict control by the foreign investor

Thus, in this case, major factors inhibiting satisfactory job performance are unclear management objectives coupled with control from the government and the foreign investor and low salary in the TNC's with 100% Japanese majority ownership.

For TNC's with American majority ownership, the following 3 factors are checked:

- strict control by foreign investor
- numerous control by the government
- lack of job security

The above indicates that management at the TNC's with foreign majority ownership faces some constraints set up by either the host government or the foreign investor. Also it seems that many employees at the TNC's with foreign majority ownership feel lack of job security, regardless of whether it is Japanese or American corporation.

For TNC's with 100% American ownership, they listed several factors with equal weight but the first one is:

- lack of consistency in policies of foreign investor

For TNC's with other country ownership, 2 major factors inhibiting satisfactory job performance are:

- numerous control by government
- lack of clear definition of management objectives

In conclusion, regardless of their types of TNC, most of TNC's checked the following factors as they are inhibiting satisfactory job performance:

- numerous control by government
- lack of job security
- lack of clear definition of managerial objectives

## V. Effects of Transnationals on the Korean Economy

It is not easy to estimate transnational's contribution to the economic

growth of a host country, since the essence of direct investment is a mechanism of transmitting to the host country a package of capital, managerial skill, and technical knowledge.<sup>(8)</sup>

As mentioned before, with regard to a question concerning joint venture motivation for Korean investors they indicated that they established joint venture with foreign investors in order to overcome the lack of capital and technical knowhow, specifically, in the case of the Japanese participation, to facilitate the steady supply of raw material and the development of oversea market.

Several studies report some negative effects of transnationals on the Korean economy.

According to the World Bank report on her economy, direct foreign investment in the total resources available for capital formation in Korea is minimal and its contribution to economic growth is insignificant.

But it should be remembered the effect of transnationals is too complex to be measured easily.

The contribution of transnationals to economic growth should not be judged solely on the basis of its direct effect on capital formation in the host country.

Lee<sup>(9)</sup> shows the exports by foreign firms (i.e., firms with direct foreign investment) and their share of the exports in three categories of commodities. Their share of manufacturing exports in 1974 was 31.4%. In such industries as chemicals, clay and its products, metal and metal products, machinery and machine parts, and electric and electronic equipment, foreign firms share of exports was in excess of 50%. Furthermore, the exports of those commodities accounted for 70.8% of the total commodity exports from Korea in 1974.

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(8) R. Pohlman., *op. cit.*, pp.14-18.

H. G. Johnson "The Efficiency and Welfare Implications of the International Corporations," C. P. Kindleberger ed, *The International Corporation*, (MIT Press, 1970).

(9) Chung H. Lee., *op. cit.*, p. 27



Cohn<sup>(10)</sup> carried out a survey of ten foreign (four U.S. and six Japanese) firms (DFI) and ten Korean firms. The result of the survey is that, as compared with the Korean firms, the foreign firms tended to be somewhat more export-oriented, use more imported inputs, and have a lower value added as a percentage of sales. His findings also show that there was no clear difference between the operational characteristics of the foreign firms and those of the Korean firms. He thus concludes there was very little net gain from DFI and that Korea would have been better off with foreign commercial loans financing the expansion of its indigenous firms. Cohen even hazards a guess that the principal reason of the Korean government for encouraging DFI may have been political and not economical.

Cohen's findings are inconsistent with the result reported here, which points out that the technical knowledge is one of the most important factor for Korean investors. It may be possibly due to the firms chosen, which produce the products that the Korean firms could have easily learned to produce.

According to Behrman and Wallender in their case study of Motorola-Korea, Ltd., it is the local suppliers to transnationals that have received the most significant transfer of technology in the area of quality control, scheduling, and cost-reduction techniques.<sup>(11)</sup> This transfer was carried out through technical assistance provided by transnationals. Contrary to to Cohen's contentions, such a transfer could hardly have been made either through foreign commercial loans or through licensing agreements.

In views of these evidences mentioned above, it can be said that transnationals' positive aspects are more emphasized than negative ones in Korea.

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(10) B. I. Cohen, *Multinational Firms and Asian Exports*, (Yale University Press, New Haven, 1975).

(11) J. N. Behrman and H. W. Wallender, *Transfers of Manufacturing Technology within Multinational Enterprises*, (Ballinger Publishing Co., Cambridge, Mass., 1971).

## VII. Concluding Remarks

In this paper various aspects of transnational corporations have been studied. It is shown that both U.S. and Japanese transnationals are domestic market-oriented companies. Therefore Lee's contention that U.S. direct foreign investment is both absolutely and relatively more domestic market-oriented in comparison to Japanese direct foreign investment is not supported by this finding.

Transnational's direct investment in Korea may be classified into labor-oriented investment although the growth of the Korean market has become important for the past few years. The chief motives are, therefore, the availability of relatively inexpensive labor and the incentives offered by the Korean government.

And the significance of transnationals in the economic development was emphasized, not in terms of direct effect on capital formation, but of a mechanism of the transmission to the host country, which includes capital, managerial skill, and technical knowledge.

In addition, several problems facing transnational corporation's operations in Korea were discussed.

## Questionnaire

1. Name of the company: \_\_\_\_\_

Name of the president: \_\_\_\_\_

2. Date of establishment: Year \_\_\_\_\_ Month \_\_\_\_\_

3. Address (head office): \_\_\_\_\_

( factory ): \_\_\_\_\_

(Please write the name of the industrial zone if your factory is located in industrial zone area)

4. Country of foreign investor: \_\_\_\_\_ ( %) \_\_\_\_\_ ( %)

(If there are more than one foreign investor, please write down the investment percentage.)

5. Capital (amount invested by local people): ₩ \_\_\_\_\_

(amount invested by foreigner ): \$ \_\_\_\_\_

6. Loans from oversea

(Please write down any loans from oversea over U.S. \$100,000 since the establishment of the company)

<u>year</u>	<u>loan amount</u>	<u>loan period</u>	<u>name of lending organization</u>
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1)

2)

3)

4)

7. Ratio of stockownership (local people) \_\_\_\_\_ %

(foreign investors) \_\_\_\_\_ %

8. Number of employee

	<u>at the time of establishment</u>	<u>at the present time</u>
a) male	_____ persons	_____ persons
b) female	_____ persons	_____ persons
c) by age	below 20 years old	_____ persons

20~30 years old \_\_\_\_\_  
 30~40 years old \_\_\_\_\_  
 over 40 years old \_\_\_\_\_

d) by education

college graduates \_\_\_\_\_  
 highschool graduates \_\_\_\_\_  
 middle school graduates \_\_\_\_\_  
 primary school graduates \_\_\_\_\_

e) by task

production job \_\_\_\_\_  
 administrative job \_\_\_\_\_

9. Major products

<u>at the time of establishment</u>	<u>at the present time</u>
_____	_____
_____	_____
_____	_____
_____	_____

10. Plant capacity utilization ratio

(design capacity=100%)

<u>1975</u>	<u>1976</u>	<u>1977</u>
_____%	_____%	_____%

11. Sales amount

	<u>1975</u>	<u>1976</u>	<u>1977</u>
a) domestic sales (¥)	_____	_____	_____
b) export (U.S. \$)	_____	_____	_____
c) major export market	_____	_____	_____

12. Management personnel

(Please indicate the number of personnel on the posts)

	<u>at the time of establishment</u>	<u>at the present time</u>
	<u>local people</u>	<u>foreigner</u>
	<u>local people</u>	<u>foreigner</u>
president	_____ persons	_____ persons

vice president \_\_\_\_\_  
 executive director \_\_\_\_\_  
 managing director \_\_\_\_\_  
 director \_\_\_\_\_

13. What are the investment motivation on the side of foreign investors?

(Please select 3 and rank them by 1, 2 and 3)

- a) utilization of cheap labor forces ( )
- b) tax advantages ( )
- c) leniency on pollution ( )
- d) utilization of export free zone ( )
- e) market development in other countries by export ( )
- f) establishment of industrial base in foreign country ( )
- g) other (\_\_\_\_\_)

14. What are the reason for Korean investors to have joint venture with foreign investors, if applicable?

(Please select 3 and rank by 1, 2 and 3)

- a) lack of capital ( )
- b) need of technical assistance and improvement ( )
- c) steady supply of raw material ( )
- d) development of oversea market ( )
- e) maximum use of legal advantages ( )
- f) favorable loan arrangement ( )
- g) others (\_\_\_\_\_)

15. Source of raw material

	<u>at the time of establishment</u>	<u>1976</u>	<u>1977</u>
local	_____ %	_____ %	_____ %
oversea	_____ %	_____ %	_____ %

16. What are the reasons of using raw material from oversea?

(Please select 3 and rank them by 1, 2 and 3)

- a) no local supply at all ( )
- b) no proper quality raw material from local source ( )

- c) local raw material is too expensive ( )
  - d) foreign investment contract specified supply of raw material  
from oversea sources ( )
  - e) lack of steady supply of raw material from local source ( )
  - f) buyer specifies the use of foreign raw material ( )
  - g) others (\_\_\_\_\_)
17. What is your export channel?
- a) the foreign investor takes all the production quantity ( )
  - b) most of export is directed to the country of foreign  
investment ( )
  - c) most of export is directed to countries other than the  
country of foreign investment ( )
  - d) export to any countries ( )
  - e) others (\_\_\_\_\_)
18. With regard to your sales to domestic market
- a) monopoly ( )
  - b) oligopoly ( )
  - c) complete competition ( )
  - d) we do not supply to domestic market ( )
19. Were there any government control over your investment contract  
with foreign investor?  
(Please check relevant items)
- a) advice from the government to establish a joint venture  
rather than 100% foreign direct investment. ( )
  - b) local production of parts ( )
  - c) employment of local personnel ( )
  - d) restriction on certain industries ( )
  - e) prohibition of purchasing local companies ( )
  - f) gradual transfer of ownership to local personnel ( )
  - g) restriction on local financing ( )
  - h) restriction on sales to domestic market ( )

- i) restriction on dividend remittance ( )
20. Please indicate the degree of control by the foreign investors in the following areas
- |                                    | <u>very strict</u> | <u>not strict</u> |
|------------------------------------|--------------------|-------------------|
| a) control of operations plan      | 1 2 3 4 5          |                   |
| b) control of reorganization       | 1 2 3 4 5          |                   |
| c) control of personnel management | 1 2 3 4 5          |                   |
| d) budgetary control               | 1 2 3 4 5          |                   |
| e) control of investment plan      | 1 2 3 4 5          |                   |
| f) control of marketing            | 1 2 3 4 5          |                   |
| g) control over pricing            | 1 2 3 4 5          |                   |
| h) control of production           | 1 2 3 4 5          |                   |
| i) accounting control and auditing | 1 2 3 4 5          |                   |
21. With regard to pricing decision
- a) foreign investor has major role ( )
- c) both domestic and foreign investors have equal rights ( )
- d) the government sets the prices
22. What is your recruitment practice?
- a) through public announcement ( )
- b) through introduction by friends ( )
- c) through educational or local training institute ( )
- d) others ( )
23. Please indicate which of the following social capital is most needed?
- a) auxiliary supporting system ( )
- b) power and other utilities ( )
- c) transportation ( )
- d) processing of waste ( )
- e) acquisition of labor ( )
- f) others ( )
24. Please indicate any managerial difficulties in your company.
- a) lack of capital ( )

- b) sales ( )
- c) difficulties in obtaining raw material ( )
- d) lack of skilled manpower ( )
- e) rise in price and wage ( )
- f) others ( )

25. Who makes the investment decision?

- a) mainly by foreign investor ( )
- b) mainly by domestic investor ( )
- c) others ( )

26. What are the factors inhibiting satisfactory job performance?

- a) lack of consistency in policies of foreign investor ( )
- b) strict control by foreign investor ( )
- c) numerous control by the government ( )
- d) lack of opportunity for promotion ( )
- e) lack of job security ( )
- f) low salary ( )
- g) lack of clear definition of management objectives ( )
- h) prestige of the organization outside the enterprises ( )
- i) others ( )

27. How much were the dividend in the past?

1976                      1977

dividend amount per share: ¥ \_\_\_\_\_ ¥ \_\_\_\_\_

28. Please write down any requests not included in the above.

- a) with regard to tax
- b) with regard to export
- c) with regard to financial support
- d) others

29. Please attach your balance sheet and profit and loss statement for years 1976 and 1977.