

THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY IN MONGOLIAN BUSINESS SECTOR

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Abstract

The global aspirations regarding Corporate Social Responsibility remain far from being met in many developing countries today. More specifically, research regarding Mongolian companies' social responsibility behaviour is missing and, from overall observation the performance is weak. This research is principally focused on explaining existing conflicts about the comprehension or understanding of just what Corporate Social Responsibility means from a theoretical perspective, and precisely, within Mongolian business circles. To give an answer to this question, the economic, legal, ethical and philanthropic responsibilities of companies was reviewed.

Key Words

corporate social responsibility, Mongolia, stakeholder

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Introduction

The different viewpoints on what Corporate Social Responsibility (CSR) is, and on how to measure, implement, and develop the responsiveness of companies for the benefit of society has been widely investigated. Despite the noticeable growth in debate among scholars about this central question, there is still no consensus regarding the definition of the notion and most academics have agreed on vagueness of the operational meaning of CSR (Lee, 2007; Birch&Moon, 2004). Lee (2007) concludes, systematic and operational application of CSR is still absent. As noted by Birch and Moon (2004), there is no single formula for CSR. Aupperle et al. (1985) explain this difficulty by reason that the concepts itself have 'ideological and emotional interpretations'. From the other hand, as a word 'society' is a multilateral, complicated aspect, and has a broad meaning, thus being socially responsible depends on many direct and indirect factors (Man&Jianxin 2008). Thus, Moon (2007) presumes that the rules or principles of the application of CSR are relatively 'open' and cannot be easily codified.

The definition given by The World Business Council for Sustainable Development (WBCSD) declares:

'Corporate social responsibility is continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.' (WBCSD, 2002)

This approach to view CSR as 'the managerial obligation protecting and improving the welfare of society, environment and the interest of the organization' supported by many academics and is mentioned in their definitions (Gail&Nowak, 2006; Edoho, 2007; Werther et al., 2005; Lea, 2002).

As mentioned before, the fundamental problem was, and remains, that no definition of social responsiveness provides an accurate framework of accomplishment; the term social responsiveness carries no clear meaning for managers, citizens, or staff, which seriously limits its usefulness in practice. The literature encompasses the broad scope of the CSR from internal to external possibilities; starting from internal management principles to be ethical and fair; corporate donations and volunteering policies along with a broad philosophy to minimize negative environmental impacts (Michael, 2003; Smith, 2003; Chandler, 2007). Research in the area has largely been focused on the importance of responsiveness, and should the company implement these actions or not, rather than how it could be implemented.

The global aspirations remain far from being met in many developing countries today. Although there is great debate about CSR in the literature, there is little empirical research on its nature in developing countries, and mainly, in the particular cases of individual countries. According to Visser (2009), very few developing countries are concerned about CSR on the institutional level, and the majority of journal articles commonly analyzed countries like China, India, Malaysia, Pakistan, and Thailand. In the Journal of Corporate Citizenship, a special issue on CSR in Asia, (i.e. Issue 13, spring 2004), Birch and Moon (2004), note that CSR performance varies greatly between countries in Asia, with a wide range of CSR actions. More specifically, research regarding Mongolian companies' social responsibility behaviour is missing and, from overall observation, Mongolia is weak in term of CSR performance.

The CSR policies greatly depend on the economic development of countries. In many countries, especially in the third world, governments and public institutions are unable or unwilling

to implement many of their duties. In such a situation, corporations then have no automatic way to become involved in social problems since business cannot succeed in societies that fail. As governmental control over the social, ethical as well as environmental performance of companies, particularly in the mining sector, was lacking in Mongolia; activism by stakeholder groups has become one of the critical drivers that has forced firms to speak out, and act upon, CSR.

Finally, having considered the various drivers for CSR in developing countries, the question is: 'Are current Western conceptions and models of CSR adequate for describing CSR in developing countries?' In the extant literature, the majority of American and European research is based on the most popular model — Carroll's (1991) CSR Pyramid, comprising economic, legal, ethical, and philanthropic responsibilities. Therefore, we consider that Carroll's four-part pyramid construct can be useful to look at how CSR is manifested in a Mongolian context and these elements will be briefly discussed below.

Material and Methods

The research design of this study can be classified as both descriptive and explanatory to distinguishing the patterns in the theory and the empirical findings, to develop a more detailed understanding within the area. Firstly, this study uses theory testing approach, to gain

knowledge of the previous studies and to provide a test of the worth of the theory, does a certain phenomenon follow in the real world (De Vaus, 2004). As we are interested in a phenomenon which is a very broad we found it most rewarding to retrieve deep and highly subjective information and thereafter analyze the information gathered from questionnaire and secondary data from written sources.

This study has also been intended to develop a better understanding of companies' way of using CSR. Following stakeholders theory, various stakeholders may contribute to a different perception of this notion. First, CSR generally is considered as a staff functions and depends upon staff within the firm. Second, the perception associated with the concept may depend on consumer's familiarity with the firm's image and financial performance. Finally, its performance largely depends on the firm's managerial decisions, practices and policies. Considering that these parties are important to CSR policy, this paper investigates the knowledge and the perception of CSR from three groups; employees, consumers, and managers. In terms of the employees, we decided to ask about HR policy and programs as an element of the firm's CSR performance. We received 254 responses to the survey. At each company, all samples were stratified by departmental distribution. In terms of consumers, we chose to ask about the familiarity with the understanding of CSR. In sum 214 individuals participated in this survey and results were analyzed. Additionally, unstructured interviews were made with ten mid-level managers of the companies.

Results

The survey results conducted to illustrate the knowledge of employees and consumers regarding CSR in Mongolia are provided below.

Employees' perception

The majority of the respondents were middle and low level employees who had worked in the companies for up to three years. As a first step, human resource practices, as an internal responsibility, were investigated. The relatively important aspect of how CSR honours the law (legislation) was asked to evaluate

the legitimacy of their managers' decisions. While half of the respondents answered that their companies working within the law, another half rejected this approach. Additionally, only 32 percent of the employees reported that managers consulted them or asked for their opinions when making decisions. However, the interesting point is that the greater part - i.e. 65 percent, consider that the routine decisions are comparatively open and fair.

Subsequently, the question was posed: 'Association between the job duties and related salary' to obtain the information about internal responsiveness of the companies. More than two thirds of all respondents considered salary level as sufficiently linked with their actual performance. Approximately 65.7 percent agreed that their organizations in some way organize training and development programs. Nevertheless, the percentage who evaluated them as 'efficient' and also 'not efficient' was the same.

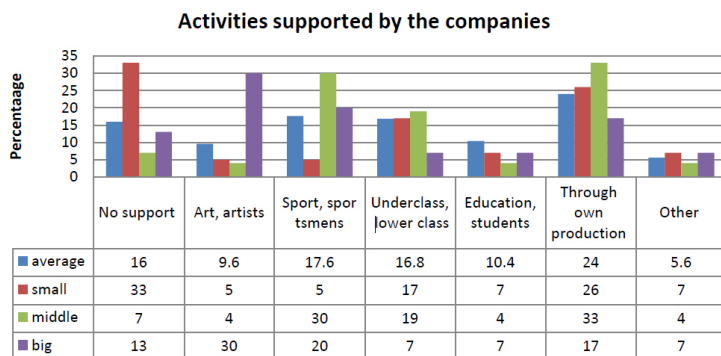


Figure I. Respondents' perception of the CSR

Next, several questions were designed to obtain information relating to existing CSR programs and an actual performance.

Figure I present the results of the question 'Define which activities the companies mostly support'.

On the next question, regarding companies' environmental protection programs, the majority or 74.5%, reported that their companies do not perform any type of action. From this point of view, it might be concluded that Mongolian business companies do not pay much attention to the environmental protection. To the open-structured question designed to define 'What is Social Responsibility?' employees widely explained it as a concept like: duty, spending part of profits on society, actions beneficiary to society, solution of employee's problems, production of high-quality products, and legitimacy.

Consumers' perception

The main purpose of this questionnaire was to investigate what the CSR means from the consumers' point of view, and whom, and for which actions they evaluate as a socially responsible firm. In general, the majority - or 92% of all respondents judge Mongolian companies' CSR performance as lower than the median, 45%, or almost half, evaluate it as bad or insufficient. Even at the lower evaluation level, consumers' appraisal of the industry varied. The most responsible sectors - as can be seen from Figure II, were telecommunication, banking, trade and service, and mining, with the telecommunication sector being evaluated the highest.

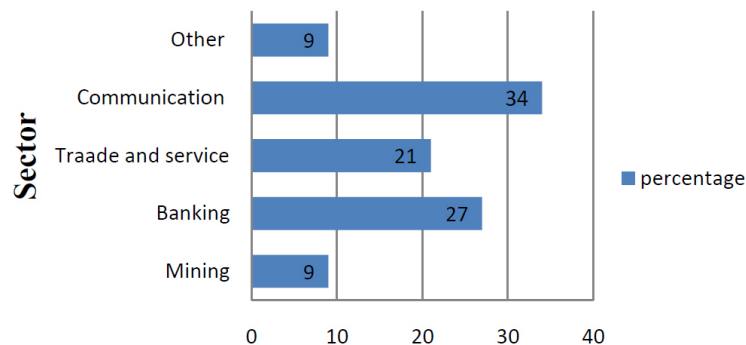


Figure II. Ranking of sectors

Subsequently, the consumers' impressions of 'being a responsible company' were interested. The general public perceive donation to the poorest citizens as the main issue of the CSR, and there is a tendency to evaluate companies with good PR of their philanthropy activities as 'good citizens'.

Discussion

A. Understanding the term CSR

This research is principally focused on explaining existing conflicts about the comprehension or understanding of just what CSR means from a theoretical perspective, and precisely, within Mongolian business circles. The research results show that the Social Responsibility approach developed by Montana (2000) is dominant in Mongolian companies. Top managers believe that their business should be based not only on economic gain, but should also go beyond the legal compliance for social benefit - even though many companies did not integrate social concerns in their daily business operations. The managers agree

that CSR is perceived as a marketing tool in the overall strategy to increase the image of their company, to be an employer of choice, and to obtain strategic advantages in the marketplace; and this could be observed from the actions taken by companies. Entire companies, regardless of sector, support a wide variety of activities in the education sector, and have extended the practice of working with students to attract and retain workers in an era of high competition for talented staff.

However, the general public perceive both donation to the poorest citizens and reduction of pollution resulting from operations (mainly in the mining sector) as the main issue of CSR; thus, there is a tendency to evaluate companies with good PR of their philanthropy activities as 'good citizens'. Thus, we assume that supportive activities like state encouragement, enhancement of education and training, of and within, the young generation, along with the establishment of continuous reporting of organizations about their CSR activities to the society can change this mistaken perception and facilitate further positive development of this aspect in the future in Mongolia.

The Mongolian Chamber of Commerce has taken the first steps on this, and companies have started to report their activities in the given format. These are the pros; but the con is that these criteria are based purely on gross levels of money/finance provided. This fact has an extreme influence on the perception of others - which we would like to state as being exclusively wrong.

B. Describing CSR in Mongolian context

The question addressed by this research is: Are current model of CSR, namely Carroll's CSR Pyramid (1991) suitable for describing CSR in Mongolia? To give an answer to this question,

the economic, legal, ethical and philanthropic responsibilities of companies was reviewed.

Economic responsibility

CSR is institutionalized and practiced in the Mongolian business sector at some level, usually by large, high-profile national and foreign investment companies. From the statistical data, it is noticeable that Mongolia suffers from unemployment, under-employment, and widespread poverty. The economic contribution of companies is high. The economic responsibility taken by companies in Mongolia includes investment in technological innovation, producing safe products and services, creating jobs, investing in human capital, in education and the Arts, establishing local business linkages, spreading international standards, and building physical infrastructure. From these facts, it could be concluded that companies in the Mongolian business sector take economical responsibility.

Legal responsibility

As with other developing countries (Visser, 2009), legal responsibilities perform poorly in Mongolia; this does not mean that the legal infrastructure is poorly developed, but rather it is because of administrative in/efficiency. Of course, terms like human rights and other relevant CSR issues are incorporated in corporate legislation. But again, the governmental capacity to enforce, and its control over legal responsibility, is limited. Both domestic and foreign investors report similar abuses of inspections, permits, and licenses by Mongolian regulatory agencies (U.S. Embassy, 2010). The Corruption Assessment conducted by Casals & Associates, Inc. (C&A), stated that weak government control of institutions, including the Central Bank, National Audit Office, Parliamentary Standing Committees,

Prosecutor General, Generalized State Inspection Agency, State Property Committee, and departments within the Ministry of Finance (USAID, 2009).

Ethical responsibility

The Commission of European Community believes that, through CSR practices, enterprises can play an important role in preventing and combating corruption and bribery. However, from the Vissen (2009) point-of-view, ethics have the least influence on the CSR agenda, and he used the Global Corruption Barometer instead. Transparency International ranks countries according to the perception of corruption in the public sector, and according to this survey the situation in Mongolia is unpleasant. International organizations also agree, and mention in their reports, that corruption still affects business in Mongolia to a large extent. The World Bank's (2010) Investment Climate Survey concluded that: 'Corruption in Mongolia, including bribery, raises the costs and risks of doing business and the overall Mongolian business climate'. Since governmental control over the social, ethical as well as environmental performance of companies - particularly in the mining sector, was lacking; activism by stakeholder groups has become one of the critical drivers that has forced firms to speak out and act on CSR.

Philanthropic responsibility

As Crane and Matten (2008) state, philanthropic responsibility in Europe and United States tends to be compulsory via the legal framework, while in developing countries - mostly in Asia, it is based on cultural factors. In Mongolia, practicing Buddhism, philanthropy is an expected norm for society. Based on the general principles of Buddhism, the rich should help the poor;

with the most common form of charity being to benefit the poor by giving money, clothes, homes, food, and by helping orphans or any other appropriate help.

Another reason is the immaturity of the CSR concept itself. As can be seen from the survey presented above, the understanding of the meaning of socially responsible is still poor in societies, and people equate responsibility with philanthropy. Thus, this type of responsibility is common in Mongolia.

Conclusion

This paper describes the present conditions of CSR implementation in the Mongolian business sector. The main results of this research are twofold. First, summarizing the present condition in Mongolia, we conclude that the concept itself is not strengthened in business environment, and society perceives it as the program of charity or donation. Second, managerial staff is not concerned intensely on every single CSR activities, essential to environment protection. It could be explained that individual market-oriented companies may not be able to appropriately connect their strategies with social aspects. There are no codes and standards on national language, everyone does what they think is right by themselves; thus, national and international policy makers should actively promote the creation and enforcement of obligations to be responsible on companies. It is important to mention here that the NGOs and public-private partnerships are necessary to promote better performance in the field in Mongolia.

Additionally, authors state that there is actual necessity to expand the practice of reporting responsible activities to the society, which as a result will change the mistaken understanding of CSR within all stakeholders. However, it should be classified by the size of the business organization, and identify the associated

performance, thus increasing the possibility of progress in this area. Additionally, the supportive activities such as state encouragement, enhancement of education and training of within young generation, along with the establishment of continuous report of organizations about their CSR activity to the society can facilitate the development of this aspect in the future in Mongolia.

Next, the conflict surrounding understanding and realization of CSR in practice shows that it is necessary to investigate the applicability of existing theory in different context of culture, religion and economic development. Even though several empirical studies suggest that culture may have an important influence on perceived CSR priorities, it would thus be of interest to learn how the nature of CSR in developing countries, and how it varies between countries in Asia and Europe. Our findings prove the research observation suggested by Visser (2009), that in developing countries, economic responsibilities still get the most emphasis. Then philanthropy is given second highest priority, followed by legal and then ethical responsibilities.

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