

# How do business enterprises in developing countries comprehend sustainability? Evidence from Mongolia.

Dr. Krisztina Szegedi<sup>1</sup>, Ulziimaa Altnaa<sup>2</sup>, Prof. György Iván Neszmélyi<sup>3</sup>

DOI: 10.29180/978-615-6886-04-0\_3

## ABSTRACT

Sustainability is a core concept enabling favorable and sustainable conditions for the next generation; that is why, all governments in the world are trying to adopt measures that provide and create a business environment in which all types of business enterprises can thrive while concerning to preserve and converse the current resources in the world. Likewise other countries, the Government of Mongolia introduced the “Sustainable Development of Mongolia 2030” policy and approved the new legal document “Vision 2050”, which embedded the concept of the UN’s Sustainable development goals to reach sustainability by 2030 partially and by 2050 fully. In this study, we aimed to investigate how companies consider Sustainability and their understanding and practice of sustainability policy. We reviewed the websites of fifty, all types of listed non-mining firms using the content and discourse analysis method and created a list of themes that were highlighted frequently. Our research found out that Sustainability is a new concept in developing countries than in Western countries because of socioeconomic differences, so most business enterprisers in Mongolia perceive Sustainability as a way of financing public activities, ensuring conditions of learning and development for employers, complying with the law, and formulating proper policy and ensuring its implementation, and the participants have limited understanding and knowledge about sustainability in general. In addition, the participants showed a tendency that only firms with financial capabilities are responsible for taking care of the socio-economic-environment issues.

**Keywords:** *Sustainability, BE (business enterprises), Mongolia, developing country, Comprehension of Sustainability*

---

<sup>1</sup> Dr. Krisztina Szegedi, Faculty of Finance and Accountancy, Budapest Business University, Budapest, Hungary, e-mail: [szegedi.krisztina@uni-bge.hu](mailto:szegedi.krisztina@uni-bge.hu)

<sup>2</sup> Ulziimaa Altnaa, Ph.D. candidate, Faculty of Finance and Accountancy, Budapest Business University, Budapest, Hungary, e-mail: [ulziimaa.altnaa.28@unibge.hu](mailto:ulziimaa.altnaa.28@unibge.hu)

<sup>3</sup> Prof. György Iván Neszmélyi, Milton Friednam University, Budapest, Hungary, e-mail: [neszmelyi.gyorgy@uni-milton.hu](mailto:neszmelyi.gyorgy@uni-milton.hu)

## 1. Introduction

Sustainability has been becoming a crucial area both in practice and academics due to rapid globalization, climate change, and an increase in the world population, and all countries have been increasingly considering ways to preserve the current resources efficiently. In developing countries, the global ambition of sustainability has been distant from being met nowadays (2.8, 19).

Numerous studies have shown that all types of business enterprises, especially small and medium Enterprises (SMEs) can create favorable conditions and opportunities for employment, economic growth and development, and economic and social cohesion in a country. In line with the report of the Organization for Economic Cooperation and Development (OECD) in 1997, 95-99% of the total firms in the world fall into the category of SMEs and it individually ensures more than 50% of total employment and 40% of national income (GDP) in emerging countries irrespective of the country's economic development and living standard (3, 12, 17). In all countries, business enterprises are considered contributing engines to GDP growth and job creation, and an attentive sector for policymakers. In addition, businesses contribute to a reduction of poverty through job creation and economic growth, sustaining and supporting citizens, which is considered a solution and sustainable tool to the issues pertinent to poverty and low levels of living standards. Especially, in less developed and developing countries, the importance of business enterprises for job creation is comparatively high (1, 13,15).

Mongolia is a Central Asian developing country, whose economy heavily relies on the mining sector which is considered the most robust sector providing 21.0% of GDP, 70% of the total gross industrial output, and 71% of export revenue. During the past 25 years, the Mongolian economic and political situation has been unstable due to the transitional period of shifting from a centrally planned economy to a market economy, but the mining sector has been not only the stable sector that operates continuously but also the sector has been demanded to be environmentally responsible for the consequence of their actions in a field somewhat wider than that covered by their profit and loss statement. Also, it was the first sector in Mongolia to be demanded to implement sustainability policy and practices (8) **Ganbaatar, T., & Banzragch, B. (2016)**. No one argues that the mining sector has brought, but it has come up with some adverse impacts on culture, environment, and society. That is why, along with the development, reasonable sustainability policy and practice have been brought into our countries and started

the history of sustainability in the Mongolian business cycle recently. Only large mining companies are asked to be responsible in Mongolia, but other non-mining companies are not studied by environmentalists, governments, and researchers as well. **Tseren, G. (2016)** highlighted that developing countries should focus on CSR and Sustainability more due to rapid economic growth and development, globalization, and the different socio-economic conditions than developed countries. **Batchimeg Bayaraa** pointed out that the determinants of the economy of Mongolia are the inflation rate, export growth rate, import growth rate, and domestic investment. Among these determinants, exports, and imports are contributed by business enterprises in Mongolia **(11)**. Therefore, our country needs to focus on not only thriving economic prosperity but also conversing the culture, society, and environment with a well-developed sustainability policy, which can be real only if the companies have a proper understanding and knowledge of it.

## **2. Literature review**

To put it simply, Sustainability is the concept of providing well-being for the current generation along with preserving the resource for future generations at the same time. It can be measured in three different dimensions; social, economic, and environmental, but some scientists argue that it is impractical to classify the sustainability concept into only three pillars or dimensions due to having only three dimensions is not a good measuring way, instead we should develop more pillars to be concrete sustainability base **Tseren, G. (2016)**. From a historical perspective, our ancestors were attentive to keeping the natural balance, but the concept of sustainability originated and was applied officially in the forestry field, which intended to balance the yield and harvesting amount. The sustainable development concept was created by the Brundtland Commission because of ten years of inefficient efforts to combat poverty increase living conditions and ensure social equity throughout the world. Initially, the whole world thought that industrialization was a way of solving problems, yet it was not the unique solution to solve all interrelated problems raised by the negative effect of industrialization when it comes to dealing with all issues related to the development and well-being of citizens along with protecting the environment. The Committee concluded “Sustainability is a holistic approach that considers ecological, social and economic dimensions, recognizing that all must be considered together to find lasting prosperity” and this concept should be adopted in daily practices of either government or private sectors **(4,21)**. According to the United Nations, sustainable development is defined as follows “Development is a multidimensional undertaking to achieve a higher quality of life for all people. Economic development, social development,

*and environmental protection are interdependent and mutually reinforcing components of sustainable development”*. (4,12) The same author also speaks of the sustainability concept with three pillars providing the opportunity to proceed with the corporate social responsibilities for firms. With the help of the sustainability concept, public policy can embody the clause for firms that the firms must take care of environmental and social issues besides its main function of earning profit. Implementing sustainable practices large and small will make a big difference in the long run (12,13). The sustainability policy greatly relies on the economic development and prosperity of the country and the countries that are classified as the third world are always neglected both at institutional, and governmental levels. (6, 19)

The point of view on how to define, measure, implement, and develop sustainability theory and practices has been investigated widely all over the world, but there is little empirical research on its nature in developing countries, mainly, in the particular case of Mongolia, which showed that Mongolia is an impartially neglected country when it comes to attracting attention from researchers. The given situation questioned me if the non-mining companies in Mongolia perceive sustainability as a part of ethical measures in their policy and implement any sustainability practice in their activities. We chose the listed non-mining companies that have a website and examined their attitude towards sustainability.

### **3. Methods**

The research design of this study can be categorized as descriptive and explanatory as we aim to investigate the patterns in the theory and the empirical findings to create a more detailed understanding and view of comprehension of sustainability policy and practice of business enterprises within the Mongolian business cycle. To answer the research question, we adopted the qualitative analysis method as the research method as it was the method that can test former themes of sustainability. Regarding data, non-mining firms' websites were used as the main sources of data, and we selected firms from the database of the Mongolian Commerce and Trade Center using the following two methods. First of all, we checked if the firm's website was working at the time of the data collection period. Following that, if the website of the given firm works properly, we reviewed if the firm has a page or content related to sustainability or the same topics on the website. In total, we examined 74 firms with pages or content about sustainability, all of them were registered as medium and large-sized enterprises in the registration system of the Mongolian Trade and Commerce Center and excluded 65 of them

based on the criteria we set at the beginning of the data collection. The criteria were if the firm has its own Sustainability policy which is followed by if the firm has a history of any practical experiences or projects on implementing its policy. The data collection process was executed between 15<sup>th</sup> March and 25<sup>th</sup> March 2022, and analysis using the collected data was conducted between 1<sup>st</sup> to 10<sup>th</sup> April. 7 of 15 firms have a Sustainability policy, while 8 of them have a CSR policy. In Table 1, the types of operations for the selected firms are listed. To investigate “what SMEs in Mongolia consider Sustainability in a broad range”, we principally concentrated on investigating the understanding and practice of sustainability policy for enterprises in Mongolia. To answer the research question, we employed the content-analyzing technique and created a list of themes and words that were highlighted frequently.

**Table 1.** *Types of operation of selected firms*

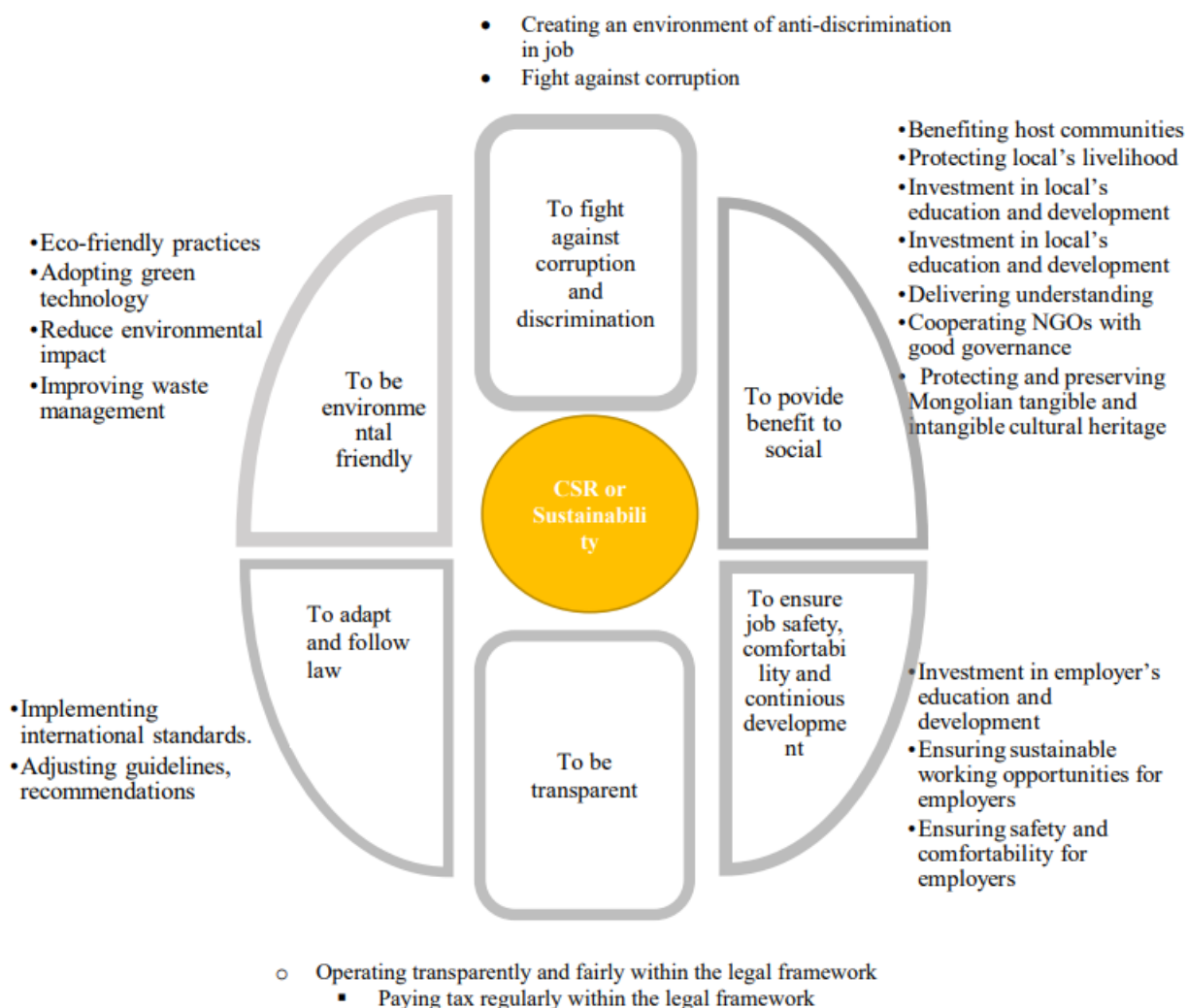
	COMPANY NAME	COMPANY ACTIVITY	POLICY ADOPTED	
1	Bishreлт group	Bank and service, and producing	Finance, trade, processing and	CSR
2	Vitafit group	Food producing, Construction, Trade		CSR
3	MCS LLC	Various		CSR
4	MONPOLIMET GROUP	Construction, Producing		CSR
5	Jiguur Grand	Various		CSR
6	Apu	Food food,		CSR
7	Telmen GROUP	Various		CSR
8	Bold GROUP	Various		CSR
9	Uguuj Chiher Boov	Food		Sustainability
10	Khanbogd Cashmere	Processing and Clothing		Sustainability
11	TESO GROUP	Food, Construction and Trade		Sustainability
12	PETROVIS LLC	Trade		Sustainability
13	Tour Mongolia	Travel		Sustainability
14	Golomt bank	Banking		Sustainability
15	MAX LLC	Food, Trade, Construction and Production		Sustainability

*Source:* Author's elaboration

#### 4. Results

We examined the policy of fifteen selected firms and highlighted themes based on corporate social responsibility and stakeholder theories most announced through their page. Themes and subthemes are presented in *Figure 1*.

**Figure 1.** How do companies in Mongolia perceive Sustainability?



Source: Author's elaboration

### **Theme I. Fighting against corruption and discrimination**

Only a few firms described their policy toward sustainability including the concept of fighting against corruption and discrimination, which is caused by the lack of knowledge on sustainability and CSR in general.

### **Theme II. Providing benefit to social development**

Another point mentioned frequently by the firms with branches or factories in the countryside was to support the social development of citizens in the area. Firms here described their

sustainability activities as a pillar of being beneficial to social development that finances projects such as assisting people affected by unexpected sudden danger and natural disasters and scholarships for students and facilities to local schools and hospitals.

- **Investment in local education and development**

80% of all firms spoke on their website, they fund the projects that invest in local citizen education and development because of two main reasons. First, the firms wanted to prepare their own skilled workforce and apply a cost-efficient mode in terms of human resources. Second, the administration unit in the locals is interested in receiving funds for education and development projects, which eventually support the firm in upgrading its license and cooperation with local citizens.

- **Delivering understanding**

Some of the firms highlighted that delivering an understanding of sustainability to people through their daily activities, designated workshops, and other designated events is crucial.

- **Cooperating NGOs with good governance**

Next, some mentioned the projects or events jointly held with NGOs and firms are part of the implementation of sustainability for them. In most cases, the NGOs suppose their project concepts and request financial support from the big firms.

- **Protecting and preserving Mongolian tangible and intangible cultural heritage**

Several firms highlighted that they finance and are part of the projects preserving and acquainting the Mongolian tangible and intangible cultural heritage to a domestic and international audience.

### **Theme III. Preserving natural original characteristics**



All firms enclosed the concept of preserving natural original characteristics, adopting eco-friendly practices, adopting green technology, reducing environmental impact, and improving waste management in sustainability and CSR policy.

#### **Theme IV. Adapting standards, laws, and regulations**

For the firms in Mongolia, within the framework of sustainability, it is an essential contribution to ensure sustainability or CSR practices by adhering to the regulations, standards, and laws.

#### **Theme V. Being transparent**

More than three of four firms implied and attached the clauses on their website, in their sustainability policy documents, or in their annual report, the concept of operating transparently and fairly within the legal framework and adhering to tax law and regulation within the legal framework.

#### **Theme VI. Ensuring job safety, comfortability, and continuous development**

Half of the firms attached at least two to three sentences in their sustainability or their annual report on how they treat employer development and job training and ensure safe and comfortable working opportunities and conditions for employees.

### **5. Conclusion**

In conclusion, I hope that this study can bring a couple of benefits to the literature on Mongolian firms' policy toward Sustainability policy. Based on the results of the search engines, there are only a few studies have been carried out on the sustainable policy of firms in Mongolia. The aim of the study was to get acquainted with understanding of sustainability for all types of business enterprises in Mongolia, but only companies with the financial ability classified as large companies have room for sustainability on their website, which is why we selected the medium and large firms with sustainability policies. As a result of our study, in Mongolia, a firm with foreign investors or owners has its policy towards sustainability. Almost all firms mentioned "transparency, adhering to the law, environmental protection and supporting

continuous education & development of employees” in their Sustainability policy. Moreover, the anti-corruption and discrimination topic is highlighted only twice and half of them announced that preserving cultural inheritance is important and contributes to protecting it. Most of the measurements were classified into the social benefit category.

## References

Ahlstrom, D. (2010). Innovation and growth: How business contributes to society. *Academy of management perspectives*, 24(3), 11-24. <https://doi.org/10.5465/AMP.2010.52842948>

Bayaraa, B. (2018). Determinants of Mongolian economic growth. *Applied Studies in Agribusiness and Commerce*, 12(1-2), 61-66. <https://doi.org/10.19041/APSTRACT/2018/1-2/9>

Business, O. S. (1997). Job Creation and Growth: Facts, Obstacles and Best Practices.

Costanza, R. and Patten, B.C., 1995. Defining and predicting sustainability. *Ecological economics*, 15(3), pp.193-196. [https://doi.org/10.1016/0921-8009\(95\)00048-8](https://doi.org/10.1016/0921-8009(95)00048-8)

Crane, A., Henriques, I., Husted, B.W. and Matten, D., 2016. Publishing country studies in Business & Society: Or, do we care about CSR in Mongolia?. *Business & Society*, 55(1), pp.3-10. <http://dx.doi.org/10.1177/0007650315619507>

Fraser, J., Bat-Erdene, Z., Lyons, J., & Kunz, N. (2022). Local procurement, shared value, and sustainable development: A case study from the mining sector in Mongolia. *Business Strategy & Development*, 5(3), 222-231. <https://doi.org/10.1002/bsd2.193>

Ganbold, B., 2008. *Improving access to finance for SME: international good experiences and lessons for Mongolia* (Vol. 438). Institute of Developing Economies.

Ganbold, M., 2016. *The impact of the small and medium enterprise support programmes on the livelihoods of micro-entrepreneurs using sustainable livelihood framework: a case study of Enterprise Mongolia Project Phase 2 by United Nations Development Programme in Mongolia: a thesis presented in partial fulfillment of the requirements for the degree of Master of Philosophy in Development Studies at Massey University, Palmerston North, New Zealand* (Doctoral dissertation, Massey University).

Ganbaatar, T., & Banzragch, B. (2016). Attitudes about corporate social responsibility: Environmental activities in Mongolia. *Mongolian Journal of Population*, 26, 73-86.

Ho, A. Y. F., Liang, H. Y., & Tumurbaatar, T. (2019). The impact of corporate social responsibility on financial performance: Evidence from commercial banks in Mongolia. In *Advances in Pacific Basin Business, Economics and Finance* (pp. 109-153). Emerald Publishing Limited. <https://doi.org/10.1108/S2514-465020190000007006>

Joffre, V.M. and Luvsandorj, B., 2020. Sustainable Recovery Options for Mongolia's Micro, Small, and Medium-Sized Enterprises. ADB BRIEFS, NO. 160, <http://dx.doi.org/10.22617/BRF200391-2>

Kuhlman, T. and Farrington, J., 2010. What is sustainability?. *Sustainability*, 2(11), pp.3436-3448, <https://doi.org/10.3390/su2113436>

Klewitz, J. and Hansen, E.G., 2014. Sustainability-oriented innovation of SMEs: a systematic review. *Journal of cleaner production*, 65, pp.57-75. <https://doi.org/10.1016/j.jclepro.2013.07.017>

Ng, E., Walls, J., & Wingard, G. (2016). Getting to the Heart of Corporate Sustainability: The Role of Managerial Values and Motivation in the Mongolian Mining Industry,

Purevjav, B., 2011. 11. Artisanal and Small-Scale Mining: Gender and Sustainable Livelihoods in Mongolia. *Gendering the field: towards sustainable*, p.197. DOI:[10.22459/GF.03.2011.11](https://doi.org/10.22459/GF.03.2011.11)

Oyunjargal, N., Bilegsaihan, M., Enkhotgon, D., & Bolor, B. (2019). Research on factors affecting effectiveness of Mongolian business organizations. *Международный научно-исследовательский журнал*, (1-2 (79)), 19-22. <https://doi.org/10.23670/IRJ.2019.79.1.032>

Rana, S. (2022). Why research on economic growth is important? Future research areas on economic growth. *FIIB Business Review*, 11(2), 127-129. <https://doi.org/10.1177/23197145221105158>

Tseren, G. (2016). Corporate Social Responsibility Practices in Terms of Environmental Activities in Mongolia. *Управление персоналом и интеллектуальными ресурсами в России*, 5(1), 19-27.

Tudev, O., & Lkhagvasuren, E. (2011). The implementation of corporate social responsibility in Mongolian business sector. *Journal on Efficiency and Responsibility in Education and Science*.

Thurik, R., & Wennekers, S. (2004). Entrepreneurship, small business and economic growth. *Journal of small business and enterprise development*, 11(1), 140-149.

[Werbach, A.](#) (2011), "Strategy for sustainability", *Strategic Direction*, 27(10), <https://doi.org/10.1108/sd.2011.05627jaa.013>