

BUSINESS ETHICS IN EMERGING MARKETS: EVIDENCE FROM MONGOLIA¹

Tae-Hee Choi & Boldmaa Zuzaan

Abstract: Based on a questionnaire survey, this study is the first to systematically focus on Mongolian managers' perceptions of BE. As such, this paper (1) examines Mongolian managers' views of BE, (2) compares BE perceptions in Mongolia to those in the USA, Japan and Korea, and (3) identifies differences and similarities between the four national groups.

We find that unethical practices exist and are quite common in Mongolia, where nearly half of the respondents have experienced ethical conflicts during their career. These conflicts mostly arose in relation to respondents' superiors and colleagues and were related to fairness or discrimination. The results indicate that in their (un)ethical decision-making, Mongolian managers are situational, but also place importance on the behaviour of their superiors. Finally, situational questions revealed that unlike respondents from the other three national groups, Mongolian managers do not see a significant difference between their own BE attitudes and those of an average manager.

Keywords: *business ethics, Mongolia, Korea, Japan, USA, survey*

¹This paper was received on January 15, 2011 and was approved on March 16, 2011

INTRODUCTION

Mongolia is a land-locked country with a population of 3 million people, which still remains largely unknown to the outside world. As in any other country, gaining a deeper understanding of Mongolian attitudes to business ethics (BE) depends to a large extent on knowledge of local market conditions and historical background. This next section provides a brief overview of its recent economic development.

The transition of Mongolia towards a democratic regime began in the early 1990s, when the former Soviet Union fell apart and lost influence in the area. During the still incomplete transition process, market economy principles have been established in the local economy. Mongolian economic transformation has also attracted more attention from foreign investors, whose interest in investing in the country has recently skyrocketed due to the discovery of rich mineral wealth in Mongolia. Giant gold and copper deposits and huge uranium reserves have even led global investors to describe Mongolia as the “Kuwait of Central Asia”.

In 2007-2010, the economic growth rate of Mongolia averaged nearly 9%, and an average growth rate of 14.4 % is expected for the next five years according to the IMF. Reaching an annual rate of 27%, direct foreign investment in Mongolia increased consistently throughout the 2004-2008 period, with the majority of investments going into mining and oil exploration, and trade and services. At the end of 2008, 8,577 foreign investment companies from 97 countries were operating in Mongolia. It is important to note that although the continuing influx of foreign investment depends on mineral deposits as its main driver, it has also been significantly supported by Mongolia's young, well-educated workforce and favourable legal environment. Increasing interest of foreign businesspeople in Mongolia is also apparent from the Mongolian stock market, which is one of the smallest in the world. In 2007, the Mongolian Stock Market achieved market capitalization of \$612.2 million with a \$53.1 million trading value of shares.

Whilst in the past, trading on the Mongolian Stock Exchange was conducted only by domestic participants, the situation has recently changed, and at the end of 2006 the participation of foreign investors stood at 27%. In sum, in recent years, Mongolia has transformed into a dynamic emerging market economy.

Despite Mongolia's indisputable economic development, the issue of BE has received very limited attention throughout the process of transition;

no professional BE institutions have been established, and no studies have been conducted on Mongolian BE to date. Nevertheless, with continuing economic growth and growing interest from foreign investors, BE is likely to increase in importance. As Jamal A. Al-Khatib *et al.* (2004) suggest, “standards differ from one culture to another, and actions considered *moral* in one culture maybe be viewed *unethical* in another”, implying that BE practices have significant bearing on how business is conducted in various countries.

Many foreign investors as well as business practitioners operating in the Mongolian market would, therefore, strongly welcome a basic framework, from which they can deal with differences in ethical attitudes in order to minimize errors when doing business with their foreign counterparts and avoid unnecessary risks.

Although some information concerning local business culture and etiquette can be found in books and papers, it is unsystematic and insufficient. Thus, we can for example read that Mongolians value elders, status and rank, and that they prefer to approach business issues indirectly, starting with a long talk on topics such as sports, family, or film. However, it is hard to find any mention about ethical perceptions of modern Mongolian managers and business people. Moreover, it is even questionable to Mongolians themselves what BE in Mongolia are like at present. The situation is further amplified by the lack of experts and non-existence of any studies or papers focusing on Mongolian BE issues. Although some steps to improve transparency and legal and ethical standards are being taken, the effort is insufficient and BE in the country remain vague and weak.

Our study is an attempt to fill this void. The main purpose of this study, which is based on survey methodology, is to (1) examine Mongolian managers’ view of BE, (2) compare BE in Mongolia with BE in Japan, Korea, and the USA, and (3) identify differences and similarities among the four national groups. The three countries have been selected for comparison based on the fact that a similar survey study has been recently conducted in them and we have thus been able to obtain comparable data. Using the data for Japan, Korea, the USA, and Mongolia also makes it possible to see the differences and similarities between ethical perceptions of respondents coming from countries at different stages of development.

As suggested above, this is the first survey study to examine Mongolian managers’ perceptions of BE. By conducting this research, we are contributing to the existing literature and providing guidelines for future researchers and practitioners. Our study meets the needs of both foreign

investors planning to enter the Mongolian market as well as the local business agents trying to make important business decisions.

The remainder of the paper is organized as follows. Part 2 provides a brief literature review, followed by a short methodology description in Part 3. Part 4 summarizes the most important findings of this study, which is then concluded in Part 5.

LITERATURE REVIEW

Our research is originally based on the questionnaire survey developed by Baumhart (1961), which is, according to Morgan (1993), one of the four surveys of managerial populations that have identified the actions and behaviour of role models as a principal influence on unethical behaviour. Baumhart found that numerous unethical practices exist in respondents' industries and business managers must act as role models, showing ways of reducing and correcting such unethical conduct. Baumhart's questionnaire was later updated and extended by Brenner and Molander (1977) and Vintell and Fetervand (1987), who consistently found that survey participants feel that they, as individuals, possessed more ethical standards than their peers and that ethical code alone is insufficient to improve business conduct (Vintell *et al.*, 2000). Vintell and Fetervand (1987) also found that relationships outside of the firm, for example with customers or suppliers, cause more conflict than internal relations within the firm.

Unlike previous scientists, in his replication of the same survey using Baumhart's questionnaire, Nakano (1997) examined ethical perceptions of Japanese managers. He found that although Japanese managers experience fewer conflicts between personal and company interests than their US counterparts, there are similarities between the two national groups, especially with regards to the way they view corporate responsibility and unethical industry practices. In the 2000s, Nakano and Choi (2008) used Nakano's questionnaire (1997) to survey Japanese and Korean companies. According to them, Japanese and Korean managers' perceptions of BE are very similar except for their views of ethical conflicts and ethical decision-making. The ethical orientation of Japanese managers also appeared to be more situational, while that of Korean managers is more driven by collectivism.

Although an extensive number of papers have documented corporate managers' perception of BE in various countries, to date there have been no studies on BE in Mongolia. Some information related to Mongolian BE is available from corruption surveys, as documented by several international organizations.

For example, the Asia Foundation (2009), which conducts a semi-annual corruption survey in Mongolia, reported that though the perception of corruption as a problem has reduced relative to economic concerns, an overwhelming percentage of survey participants believe that corruption is common.

Similarly, USAID (2005) found that opportunities for corruption are increasing in Mongolia at both the administrative and elite levels. A few years ago, V.Fritz (2007) tried to identify the drivers of corruption and of weaknesses in the domestic accountability chain. According to his study, the drivers of corruption in Mongolia include privatization, foreign aid, and low pay in the public sector as well as the politicization of the civil service. However, despite these efforts, the information and studies directly focusing on Mongolian BE are completely insufficient and increasing social demand for such data is becoming more apparent.

METHODOLOGY

As mentioned previously, the survey questionnaire used in this study represents the extension and replication of Baumhart's questionnaire. The questionnaire included a total of 35 separate questions, some of which routed respondents to different sets of questions. Questionnaire forms translated into Mongolian were mailed to 200 business managers working for companies located in Mongolia. The survey was closed six months after the first questionnaire was sent, with a total of 103 complete questionnaires received after the elimination of incomplete forms.

Survey respondents' details are presented in Table 1. The largest number of respondents fell in the age group between 30 and 39 years, they were bachelor degree holders and worked as upper or middle management personnel in manufacturing companies with fewer than 100 employees.

Table 1. Descriptive Statistics: Respondents

Descriptive Statistics	
1. Age	N=103
29 or under	38%*
30-39	44%
40-49	7%
50 or over	11%
2. Education	
High school graduate or less	7%
Some college	10%
Bachelor' degree	64%
Graduate school	19%
3. Management position	
Top management (president, chairman of board, executive director and board member)	11%
Upper middle management (functional department head, assistant director of department and deputy director of department)	33%
Lower middle management (functional unit head)	25%
Other (non-management personnel, assistant manager, supervisor and government officer)	31%
4. Industry	
Manufacturing	68%
Non-manufacturing (mining, construction, transportation, and other service industries)	32%
5. Company size: number of employees**	
1-99	47%
100-499	22%
500-999	23%
1000 more	8%

*Among the respondents who are aged 29 or less, 10% worked as top managers, 25% held upper middle manager positions, and the remaining 65% were equally distributed between the lower middle management group and others.

**Mongolian Statistical Yearbook 2009. In 2009, the number of active establishments with less than 9 employees was 57,681 (88%), 10-19 employees 3,839 (6%), 20-49 employees 2,603 (4%), 50 or more employees 1,351 (2%).

RESULTS

Unethical industry practices

The existence of unethical practice in respondents' industries is presented in Table 2. According to the results, 45.6% of respondents report that unethical practices exist in their industry, while slightly fewer (40.8%) claim that there are none. The comparison with Japanese and Korean studies revealed that unethical industry practices are more apparent in Mongolia (45.6%) than in the other countries (39.2% in Japan and 35.3% in Korea).

Table 2. Existence of unethical industry practices

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)
None	40.8	37.3	49.1
Yes, a few	39.8	35.6	32.5
Yes, many	5.8	3.6	2.8
Don't know	13.6	23.6	15.6

N=103

Unethical practices respondents most wanted to eliminate

The respondents were further asked which unethical practices among those listed in Table 3 they most wanted to see eliminated. With 25.2%, *cheating customers* topped the answers, closely followed by *dishonesty in making or keeping a contract* (24.3%), *miscellaneous unfair competitive practices* (21.4%) and *dishonest advertising* (20.4%).

International comparison showed that Mongolian respondents share two out of five high-ranked unethical practices with their American counterparts (*dishonesty in making or keeping a contract* and *dishonest advertising*) and only one (*cheating customers*) with Korean and Japanese managers. Interestingly, Korean and Japanese managers mutually share four out of five high-ranked unethical practices and three with American managers.

Table 3. Unethical practices most wanted to eliminate

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)	USA 2000 (%)
Giving of gifts, gratuities, and briberies	10.7	22.1 (3)	56.2 (1)	9.8 (3)
Price discrimination and unfair pricing	2.9	23.4 (2)	28.1 (2)	9.8 (3)
Price collusion by competitors	3.9	29.9 (1)	19.8 (3)	9.8 (3)
Unfairness to employees	1.0	13.0 (5)	14.9 (4)	9.1
Cheating customers	25.2 (1)	13.0 (5)	12.4 (5)	7.0
Dishonesty in making or keeping a contract	24.3 (2)	10.4	11.6	14 (1)
Miscellaneous unfair competitive practices	21.4 (3)	7.8	5.8	*
Dishonest advertising	20.4 (4)	6.5	1.7	11.9 (2)
Unfair credit practices	14.6 (5)	1.3	3.3	3.5
Overselling	3.9	3.9	7.4	2.8
Discriminatory hiring practices	*	*	*	4.2
Environment pollution	*	*	*	2.1
Sexual harassment	*	*	*	1.4
Receiving of gifts, gratuities and bribes	*	*	*	1.4
Other and unspecified	1.0	19.5 (4)	0.8	*

N=100 * Not included in the questionnaire

The identified discrepancy could be explained by the lower level of development and smaller size of the Mongolian market. Unethical practices considered most serious in other countries (price discrimination, price collusion, and gift-giving) are perhaps less common in Mongolia due to the lower number and smaller size of existing companies, and less diversified market.

Furthermore, unlike survey participants in the other three countries, Mongolian respondents were more likely to have been born during the Communist regime and brought up during the transitional period towards

a market economy. This experience may bear an influence on Mongolian managers' views of unethical practices in relation to customers or suppliers and the market economy system itself.

Special efforts towards building ethical values

The survey also examined the amount of effort Mongolian companies put into building ethical standards within the organization. Table 4 suggests that the majority of respondents (60.8%) think their companies make an effort *to some extent*. International comparison indicates that Mongolian companies make less effort in instilling ethical practices than Japanese or Korean firms; while Japanese and Korean survey participants answered *very eagerly* in over 30% of cases, in Mongolia it was mere 11%. Moreover, over three times more Mongolian than Japanese or Korean respondents chose *yes, but very little*.

Table 4. Company efforts to build ethical values into organization

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)
Yes, very eagerly	10.8	36.8	30.9
Yes, to some extent	60.8	54.3	58.1
Yes, but very little	21.6	7.2	4.1
Not at all	6.8	1.8	6.9

N=102

When responses to this question were compared with the results of earlier studies from Japan and Korea, Mongolian managers' answers were more similar to the responses presented in the earlier Japanese study. In 1994, 14.7% of Japanese managers chose *very eagerly*, 46.8% *to some extent*, 25% *very little*, and 13.5% *not at all* to answer the same question. Response similarities between current Mongolian and earlier Japanese managers can again be explained by the level of development. It is obvious that Mongolian companies still lag behind their developed-country counterparts.

Common methods used for building ethical values into an organization

We further wanted to determine which tools companies favour most in building ethical values. According to Table 5, nearly half of the companies (47.9%) rely on the code of ethics, followed by employee training in ethics and punishment for unethical conduct (36.2% and 36.0% respectively), and CEO statements on ethics (31.9%). In their choice of ethics enhancement methods, Mongolian companies are similar to Korean firms and they also share the top three BE building methods with their Japanese counterparts (code of ethics, employee training in ethics, punishment for unethical conduct).

Table 5. Methods of building ethical values into the organization

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)	USA 1992 (%)
Code of ethics	47,9 (1)	68,8 (1)	47,9 (4)	93 (1)
Employee training in ethics	36,2 (2)	62,9 (3)	44,1	52 (2)
Punishment for unethical conduct	36,0 (2)	65,6 (2)	55,6 (2)	*
CEO.s frequent statements on ethics	31,9 (4)	57	62,3 (1)	*
Corporate philosophy including ethics	16,0 (5)	33,9	50,7 (3)	*
Contribution to social/cultural activity	16,0 (5)	34,8	30,9	*
Ombudsman	16,0 (5)	*	28,9	*
Following parent company's philosophy	13,8	19,5	17,1	*
Suggestion system on ethics	10,6	61,5 (4)	35,5	*
Ethics committee	10,6	57,5 (5)	22,3	25 (3)
Social auditing	9,6	*	14,3	*
Anonymous Reporting Hot- line for unethical conduct	7,4	*	45,5 (5)	*
Other and unspecified	0	4,5	1,4	11

N=94 * Not included in the questionnaire

Although some of the methods included in our questionnaire were not presented in the US survey, BE tools used in Mongolia were also largely used by American companies (e.g. code of ethics, employee training in ethics).

On average, Mongolian companies use two different methods for instilling BE. This relatively low number may also offer an explanation for the dissatisfaction expressed in Table 6, where 18.6% of Mongolian respondents indicated that they are not satisfied with the success of their company's efforts to support the building of ethical values. It is also well in line with Table 4, where 28.4% of Mongolian respondents indicated that their company is not making enough effort towards BE (*very little* and *not at all* together) and another 60.8% said that their organization is only making effort to *some extent*. Although the average number of BE tools used by companies in the other three countries is not available, higher percentages in Table 5 suggest that they probably use more BE tools than Mongolian firms.

Success of the efforts

When asked extent to which they think their organization has been successful in instilling ethical values (Table 6), 68% of Mongolian survey participants stated they are rather satisfied (60.8% *satisfactory*, 7.2% *very satisfactory*), 18.6% expressed dissatisfaction (18.6% *unsatisfactory*), and the remaining 13.4% cannot tell.

Table 6. Success of the effort

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)	USA 1992 (%)
Very satisfactory	7,2	1,4	11	42
Satisfactory	60,8	67,6	71,4	54
Unsatisfactory	18,6	18,7	11,5	0
Very unsatisfactory	0	3,2	0,8	0
Cannot tell	13,4	9,1	5,2	4

N=97

When compared to the distribution of answers in Table 5, the respondents who are *very satisfied* work for companies which use *CEO's frequent statements on ethics* (65%) and *punishment for unethical conduct* (61%) as BE promotion tools; the respondents who answered *unsatisfactory* or *satisfactory* came from companies that mostly use *ethical codes* and *employee training in ethics* (non-tabulated).

Company responsible to social groups

The questionnaire further asked which social groups the company is most responsible to. The respondents were presented selected groups, which they were supposed to rank using a scale from 1 to 8 (1 meaning the company is most responsible and 8 least responsible to the group). Table 7 indicates that the survey participants feel their company has strongest responsibility towards customers, employees, and suppliers. While the first two priorities are the same for all four national groups, the third one differs.

Although Mongolian managers consider suppliers their third priority and stockholders the fourth, in Japan, USA, and Korea stockholders were ranked third. The reason may again be seen in the lower level of Mongolian market development and immature stock exchange. Alternatively, it is also possible that Mongolian managers feel a stronger sense of responsibility towards suppliers because there are not enough companies operating in the local market to outsource products and services. Building a good relationship with suppliers therefore becomes a crucial condition for successful operations in the local business environment.

Compared with the other three national groups, Mongolian managers feel less responsible to local communities. The explanation may be that while local communities usually closely cooperate with residents, companies' participation in their activities is very uncommon and the link between companies and local communities is thus relatively weak.

Table 7. Company responsible to social groups

	Mean ranks			
	Mongolia 2010	Japan 2004	Korea 2005 (%)	USA** 2000
Customers	2,05 (1)	1,45 (1)	2,81 (1)	2,058 (1)
Employees	2,70 (2)	2,68 (2)	2,89 (2)	2,358 (2)
Suppliers	3,80 (3)	4,71	4,34	4,978
Stockholders	4,23	2,74 (3)	3,25 (3)	3,921 (3)
Government	5,1	6,76	4,98	6,114
Society in general	5,15	4,37	4,99	5,371
Local community	5,39	4,44	4,64	4,87
Dealer	6,1	*	*	

N=102 * Not included in the questionnaire

Experience of conflict between company interests and personal ethics

It is not uncommon for business managers to experience conflicts between their ethical beliefs and companies' interests. Table 8 shows that 46.5% of Mongolian respondents have experienced this type of conflict in their career. The percentage is higher than in Japan (31.6%) or Korea (31.5%), which is not surprising considering local working culture – it is well known that Korea and Japan are extremely competitive societies with low job mobility, where employees' loyalty to their company is an important factor in employee promotion and a successful career.

Table 8. Experience of conflicts between company interests and personal ethics

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)
Yes	46,5	31,6	31,5
No	53,5	68,4	68,5

N=101

Causes of the conflict and in relation with whom

As presented in Table 9, *fairness and discrimination* (34.0%) and *honesty in internal communication* (23.4%) topped the list of the most common types of ethical conflicts reported by Mongolian respondents. Although both Mongolian and Korean managers tended to experience more conflicts in situations involving *fairness and discrimination*, American survey participants reported this type of conflict less often. On the other hand, *firings and layoffs* were more likely to produce conflicts among American and Japanese managers, but not among the Mongolian and Korean ones.

This result might be explained by the relatively small employment size of Mongolian companies. As footnoted earlier, 88% of total active establishments in Mongolia have 1-9 employees. At the same time, almost half (47%) of the respondents in the present study are from companies with fewer than 100 employees. In general, such small businesses are characterized by shallow operations with few employees and a closer relationship between the employer and staff. In light of that, not many conflicts related to *firings and layoffs* are likely to happen. Similarly, the difference regarding *gifts, entertainment, and kickbacks*, which caused relatively few conflicts in Mongolia but ranked high as the cause of ethical conflicts in Korea and the USA, can be explained by the different business culture. Generally, the giving of gifts is not part of business relationships in Mongolia. It is not common to offer or exchange gifts when negotiating a deal. If it happens and a small present is given, it is treated as a gesture that expresses one's gratitude.

As for the groups with regards to which Mongolian respondents experienced ethical conflicts most often, according to Table 10 they were superiors (53.2%), colleagues (21.3%), and customers (19.2%). Customers were also identified as one of the three main causes of ethical conflicts in all four national surveys.

Table 9. Conflicts between company interests and personal ethics

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)	USA 2000 (mean**)
With regard to				
Fairness and discrimination	34,0 (1)	38,0 (1)	39,8 (2)	1,582
Honesty in internal communication	23,4 (2)	16,9	26,8 (3)	1,745 (5)
Honesty in executing contracts and agreements	12,8 (4)	22,5 (3)	20,3 (4)	1,805 (4)
Price collusion and pricing practices	12,8 (4)	22,5 (3)	20,3 (4)	1,568
Gifts, entertainment, and kickbacks	8,5	18,3	41,5 (1)	1,837 (2)
Firings and layoffs	8,5	25,4 (2)	13	1,822 (3)
Honesty in external communication	6,4	19,7 (5)	16,3	1,568
Granting pay raises	*	*	*	1,851 (1)
Honesty in promotion decisions	*	*	*	1,534
Other and unspecified	14,9 (3)	18,3	2,4	*

N=54 * Not included in the questionnaire; ** 5 point scale: 1= never experience conflict; 3= yes, sometimes; 5 = yes, often

Table 10. Conflicts between company interests and personal ethics

	Mongolia	Japan	Korea	USA
	2010 (%)	2004 (%)	2005 (%)	2000 (mean**)
With regard to				
Superiors	53,2 (1)	42,3 (1)	38,2 (3)	1,979
Colleagues	21,3 (2)	12,7	27,6 (4)	*
Customers	19,2 (3)	42,3 (1)	43,1 (2)	2,403 (1)
Competitors	17,0 (4)	18,3	27,6 (4)	2,240 (3)
The law and government	6,4 (5)	21,1 (5)	17,1	2,190 (4)
Society in general	6,4 (5)	18,3	14,6	*
Stockholders	6,4 (5)	5,6	11,4	*
Suppliers	4,3	23,9 (4)	55,3 (1)	2,060 (5)
Employees	2,1	25,4 (3)	19,2	2,304 (2)
Peers	*	*	*	2,048
Friend	*	*	*	1,959
Family	*	*	*	1,878
Retailers	*	*	*	1,854
Wholesalers	*	*	*	1,739
Potential investors	*	*	*	1,578
Other and unspecified	4,3	7	0	*

N=62 * Not included in the questionnaire; ** 5 point scale: 1= never experience conflict; 3 = yes, sometimes; 5= yes, often

Whose side managers would choose?

In a situation of ethical conflict between respondents' personal ethics and their company interests, 21.6% of survey participants would decide in favour of their company interests, 21.6% would prefer personal ethics, and the remaining 56.8% would decide according to the situation.

Table 11. Ethical decision - company interests or personal ethics

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)
Company interests	21,6	25,4	54,5
Personal ethics	21,6	23,9	26
Depends on the situation	56,8	50,7	19,5

N=54

Although Japanese and Korean managers share many similarities, one of the significant differences documented in the literature concerns the decision-making process. While Japanese managers rely on consensual decision-making, Korean managers tend to make top-down decisions. As for the business culture in Mongolia, it is hierarchical with a top-down decision-making process; however, employee loyalty to their company is lower than in Korea. Consistent with that, like Japanese managers (50.7%), Mongolian managers are more situational (56.8%) than their Korean peers (19.5%).

Factors influencing ethical and unethical decision-making

Individual ethical perceptions can not only vary from one individual to another, but can also be influenced by a different set of factors. Tables 12 and 13 present (un)ethical decision-making factors that appeared in the questionnaire. Respondents were asked to rank these factors on a scale from (1) to (5), with (1) representing the most influential factor.

As presented in Table 12, the most influential factor for Mongolian respondents in making ethical decisions is a personal code of behaviour (mean 2.45), followed by the behaviour of one's superior (2.66) and the ethical climate of the industry (2.91). The table also suggests that Korean and Japanese managers' view of making ethical decisions (with company policy first, one's personal code of behaviour second, and the behaviour of one's peers third) differs from that of Mongolian respondents.

More detailed analysis revealed that the *ethical climate of the industry* is

the strongest influential factor to make ethical decisions for top managers, whereas for other managerial levels (upper and lower management, others), it is a *personal code of behaviour*.

Table 12. Factors influencing ethical decisions

	Mean ranks		
	Mongolia 2010	Japan 2004	Korea 2005
One's personal code of behavior	2,45 (1)	2,12 (2)	2,44 (2)
The behavior of one's superior	2,66 (2)	4,11 (5)	3,89 (5)
Ethical climate of the industry	2,91 (3)	4,06 (4)	3,88 (4)
The behavior of one's equals in the company	3,15 (4)	2,79 (3)	2,88 (3)
Company policy	3,46 (5)	1,73 (1)	1,99 (1)

N=100 (1) = the most influential factor, (5) = the least influential factor.

According to Table 13, *one's personal financial needs* topped the list of the most influential factors in making unethical decisions among Mongolian managers. In contrast, respondents from the other three national groups indicated *the behaviour of one's superior* as the most influential factor.

Interestingly, when factors in Table 13 were arranged according to respondents' managerial status (only for Mongolia, non-tabulated), most respondents holding top, upper as well as lower management positions considered *personal financial needs* as the most influential factor to make unethical decisions, while for the respondents in *other* group it was *the behaviour of one's superior*. Perhaps this is caused by the fact that respondents in the *other* group are more concerned about losing their job than their financial status. In Mongolia, where total employment in the low wage sector is very high and 36% of people are living on less than 68 US cents a day, loss of a job would have much more serious impact on an individual's life. This conclusion is supported by the fact that for the other three national groups, which all represent much wealthier countries,

one's personal financial needs were one of the least influential factors. In the long term, with the continuing development of Mongolia, this difference is expected to diminish.

Table 13. Factors influencing unethical decisions

	Mean ranks			
	Mongolia 2010	Japan 2004	Korea 2005	USA 2000
One's personal financial needs	2,33 (1)	3,29 (4)	3,2 (4)	4,159
The behavior of one's superiors	2,49 (2)	2,04 (1)	2,43 (1)	3,75 (3)
The behavior of one's equals in the company	3,19 (3)	4,09 (5)	3,75 (5)	4,092 (5)
Ethical climate of the industry	3,23 (4)	3,22 (3)	3,09 (3)	3,617 (2)
Company policy or lack thereof	3,43 (5)	2,3 (2)	2,53 (2)	5,108
The behavior of top management /CEO	*	*	*	3,568 (1)
Society's moral climate	*	*	*	3,817 (4)

N=91 * Not included in the questionnaire; (1) = the most influential factor, (5) = the least influential factor.

Ethical standards: today vs. 10 years ago

Survey participants were also asked to express their opinion about the level of ethical standards now compared to ten years ago. 39.8% of respondents felt that ethical standards are higher today, 10.2 % think they are about the same, and the remaining 50% are of the opinion that ethical standards are lower (Table 14). The proportion of those choosing *lower standards today* was greater among those aged under 29 (54%), 40 to 50 (67%) and over 50 (70%). The most common answer among

those aged between 30 and 40 (49%) was *higher standards today* (non-tabulated). Inter-country comparison suggests more optimism expressed by Japanese and Korean managers (50.7% and 87.2% of answers *higher standards today* respectively) than by their Mongolian (39%) and American counterparts (14.3%).

Table 14. Ethical standards: today vs. 10 years ago

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)	USA 2000 (%)
Higher standards today	39,8	50,7	87,2	14,3
About the same	10,2	33,3	12	35,4
Lower standards today	50	16	0,8	50,3

N=98

Among the nine factors offered in the questionnaire for higher standards at present (Table 15), the top three selected most often include *increase in managers' professionalism and education* (64.1%), *increased public awareness and scrutiny* (56.4%), and *new social expectations for business's role in society* (53.8%). The top ranked factors are the ones that are mostly related to people and their increase in education and awareness rather than government regulations.

During the 1990s transition period, it was common in Mongolia for children to drop out of school in order to help their parents herd privatized livestock, which was given greater importance than education as it helped families generate wealth. The population nowadays is quite different. Today, over 90% of the total population are high-school, college or university graduates. Greater importance placed on education has been accompanied by an increased interest in BE, and BE courses have been introduced at schools. Hopefully, this development will lead to higher BE in society in the long run.

Table 15. Factors causing higher standards

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)	USA 2000 (%)
Increase in managers. professionalism and education	64,1 (1)	4,7	15,2	13,6 (4)
Increased public awareness and scrutiny	56,4 (2)	73,6 (3)	63,9 (2)	18,2 (3)
New social expectations for business.s role in society	53,8 (3)	92,2 (1)	60,6 (3)	27,3 (1)
Business.s greater sense of responsibility	51,3 (4)	*	*	9,1 (5)
Public disclosure, publi- city and media coverage	41,0 (5)	77,7 (2)	46,1 (4)	9,1 (5)
Government regulation, legislation, and intervention	28,2	7,3	24,5 (5)	22,7 (2)
Top management's emphasis on ethical action	28,2	49,7 (4)	67,3 (1)	*
Increased commitment of corporations to cultural and environment protection activities	7,7	34,2 (5)	24,5 (5)	*
Other	0	4,7	0	*

N=40 * Not included in the questionnaire

With respect lower to standards today, *political corruption and loss of confidence in government* topped the list of factors selected by Mongolian and Korean respondents, although it was only ranked 5th in the Japanese and 6th in the American survey (Table 16).

In Mongolia, the popular phrase from Alexandre Dumas's *Three Musketeers* *All for one and one for all* has become *All for one and every one for him/herself*. Although probably an overstatement, this phrase illustrates the present situation in Mongolia quite well. Contrary to the

past when people expressed a great deal of concern about others, nowadays, they have become more concerned with personal prosperity and well-being. This atmosphere is also reflected in the general opinion of the public, who commonly think that politicians misuse their positions, neglect their duties, and receive money for personal benefit. Cases such as the jailing of three Members of Parliament for their corrupt involvement in casino licensing, or police questioning of three other Members of Parliament with regards to a large sum of cash missing from a recently privatized bank only strengthen these perceptions.

It is alarming that in the governance indicators issued every two years by the World Bank Institute, Mongolia's scores on Government Effectiveness and Control of Corruption have been falling steadily. Mongolia's rank in Control of Corruption fell from the 45th percentile in 2000 to the 32nd percentile in 2008 (higher percentile corresponds to better governance outcomes). This only goes to show that steps to improve transparency, legal and ethical standards in Mongolia are essentially needed.

Table16. Factors causing lower standards

	Mongolia 2010 (%)	Japan 2004 (%)	Korea 2005 (%)	USA 2000 (%)
Political corruption and loss of confidence in government	36,7 (1)	41,5 (5)	68,4 (1)	7
Lack of personal integrity	26,5 (2)	27,4	31,8	19,8 (2)
Pressure for survival in a slow economy	25,5 (3)	67,1 (1)	32,4 (5)	*
Greed and the desire for gain	22,4 (4)	45,1 (4)	61,8 (2)	18,6 (3)
Society's standards are lower	17,3 (5)	*	*	2,3
Pressure for profit from superiors within the company	16,3	50,0 (3)	32,9 (4)	27,9 (1)
Media coverage and communications create atmosphere for unethical acts	12,2	*	*	*
Competition and the current economic conditions	11,2	53,7 (2)	56,0 (3)	12,8 (4)
Other	0	5,5	0,3	11,6 (5)

N=50 * Not included in the questionnaire

Situational questions

The questionnaire also included four types of situational questions (for the exact wording of the questions see the Appendix). The survey participants were asked what they would do in a given situational context and what they think an average executive would do. Apart from Situation 4, which was omitted from the USA survey, Situations 1 to 4 were used in all four nations' surveys. The dollar amounts used in the questions were the same for the Mongolian, Japanese and Korean surveys, but differed from the amounts used in the USA. Responses to situational questions are summarized in Table 17, which also provides the responses of Japanese, Korean, and American respondents.

Overall, in their responses to situational questions, Mongolian managers do not seem to differ significantly from the other three national groups, except the places where they expressed their views related to their peers' ethical perceptions. Respondents from the other three nations were unanimous in stating that average managers are less ethical than they are. In contrast, Mongolian respondents believed that average managers are almost as ethical as themselves; there were no significant differences between the responses for themselves and average managers in all four situations. However, it is possible that the answers do not reveal respondents' true attitudes regarding their peers; further research needs to be done to verify this finding.

Situational question 1: Padding expenses

About 56.6% of Mongolian respondents indicated that padding an expense account is unacceptable regardless of circumstances. Of those who felt it is acceptable, 19.2% said that it is acceptable if other executives do the same thing and 24.2% thought that it is acceptable if the executive's superior knows about it and says nothing. Respondents' views of average managers were very similar. The number of *unacceptable* responses to the question was slightly lower than the result for themselves (56.6% versus 47.0%), while the amount of *acceptable* responses was slightly greater than for themselves (43.4% versus 53.0%). This finding implies that almost one in two Mongolian respondents tends to harmonize his/her ethical decisions with the behaviour of his/her superiors, willing to dismiss ethical unease or accept ethical misconduct once the top management

gives positive signals regarding a particular unethical practice. Some of the reasons given by the respondents for their answers were:

For those who believed padding an expense account is acceptable:

- Would not care if the executive was doing something important for the company's growth and profitability.
- It is a typical thing in business.

For those who indicated padding an expense account is unacceptable:

- It is important to know why the executive decided to pad the expense account
- Punish the executive because he/she is misusing his/ her high-level managerial status

The answers to Situation 1 revealed a major difference between Mongolian and both Japanese and American managers. Compared to a mere 56.6% of Mongolian respondents, 90.7% of Japanese and 91.4% of American managers felt that padding expenses is unacceptable (Korean managers chose the same answer in 69% of cases). With respect to their views of an average manager, no significant difference between the respondents of the four national groups has been observed.

Situational question 2: Hiring to obtain technological secret

When asked whether they would hire a competitor's employee to obtain a technological secret, three quarters of Mongolian respondents answered yes and 77.3% were of the opinion that an average manager would also do so. Some of the reasons respondents gave for their answers are presented below:

For those who believe that they would hire him/her:

- Hiring him/her will accelerate the company's growth.
- We will have the chance to learn about new technology and practices.

For those who believe that they would not hire him/her:

- Can do research by ourselves and discover new and better technology.

Compared to that, almost 65% of American and 60% of Korean managers answered yes concerning their own actions, while just 48% of Japanese managers did so. On the other hand, 22.7% of Mongolian and 30% of Japanese managers thought an average manager would not hire a competitor’s employee; this compares to 15.5% of Korean and 13.5% of the American respondents.

Overall, Mongolian managers were the ones who most often stated that they would recruit a competitor’s employee to obtain a technological secret. Although this result may indicate that Mongolian managers place more value on economic profits than on BE, further research is needed to interpret this finding, as there may be other explanations (e.g. the survival of Mongolian firms may be more dependent on new technologies, etc.).

Table 17

Situational question 1: Padding an expense account								
Mongolia 2010 (%)		Japan 2004 (%)		Korea 2005 (%)		USA 2000 (%)		
Oneself	Average Manager	Oneself	Average Manager	Oneself	Average Manager	Oneself	Average Manager	
Acceptable, if other executives in the company do the same thing								
19,2	23,8	0,4	9,4	6,4	22,6	1,3	25,5	
Acceptable, if the executive’s superior knows about it and says nothing								
24,2	29,2	8,9	26,5	24,9	36,8	7,3	26,8	
Unacceptable, regardless of circumstances								
56,6	47	90,7	64,1	68,6	40,6	91,4	47,7	

N=99

Situational question 2: Recruiting to obtain technological secret								
Probably would hire him/her	74	77,3	48	69,9	59,5	84,5	64,4	86,5
Probably would not hire him/her	26	22,7	52	30	40,5	15,5	35,6	13,5

N=100

Situational question 3: Paying fee to get contract								
Pay the fee, feeling it was ethical in the moral climate of the foreign nation	29	32,2	62,9	63,1	52,8	47,4	20,8	38,3
Pay the fee, feeling it was unethical but necessary to help ensure the sale	23	29,2	5,4	26,1	26,7	43	40,9	50,3
Refuse to pay, even if sale is lost	48	38,6	31,7	10,8	20,5	9,6	38,3	11,4

N=100

Situational question 4: Issuing an order to stop payments to purchasing agent								
Issue an order stopping future payments and reduce salespeople.s pay in the amount equal to their commissions on the sales gained as a result of future payments	27,3	19,8	27,2	13,6	38,3	24,2		
Issue an order stopping future payments, but do not reduce sales people.s pay	38,4	43,7	69,2	60,2	49,2	31,9		*
Say and do nothing	34,3	36,5	3,6	26,2	12,4	43,9		

N=99 * Not included in the questionnaire

Situational question 3: Paying fees to secure a contract

Situation 3 aimed to find out whether the respondents would be willing to pay a *consultancy fee* to get a large contract for their company. 48% of Mongolian managers answered that they would “refuse to pay even if sale is lost”.

Among the 52% of respondents who said that they would pay the fee to get a contract, 23% said they would *pay the fee, feeling it was ethical in the moral climate of the foreign nation* and 29% would “pay the fee, feeling it was unethical but necessary to help ensure the sale”.

No significant difference was found between respondents' views of themselves and of an average manager. While 38.6% of survey participants felt that an average manager would refuse to pay the fee to get a contract, the remaining 61.4% said he/she would pay the fee. Some of the reasons given by respondents for their answers were:

For those who believe that they would refuse to pay the fee:

- It is risky.
- Can make such profit ourselves.

For those who believe that they would pay fee feeling it was either ethical or unethical:

- It is common when doing business.
- As long as business exists for making profit, it is acceptable.
- Any contract is profitable, we will get the contract.

As for themselves, 48% and 38.3% of the Mongolian and American managers respectively said that they would “refuse to pay even if sale is lost”, compared to 20.5% of Korean and 31.7% of the Japanese managers. Among the four national groups, the largest number (62.9%) of answers *pay the fee, feeling it was ethical in the moral climate of the foreign nation* was given by Japanese managers, followed by Korean (52.8%) and then Mongolian managers (29%).

Except Mongolian respondents, the survey participants of the other three nations were almost unanimous in stating that an average manager would pay the fee to get a contract (89.2% of Japanese, 90.4% of Korean and 88.6% of American respondents); this compares to 61.4% in Mongolia. Among the respondents that believed an average manager would pay the fee, as many as half of the US respondents (50.3%) felt that an average manager would pay the fee feeling it was unethical but necessary to help ensure the sale. This result is followed by Korea (43%) and Mongolia (29.2%).

Situational question 4:

The last question asked what the respondents would do if they found out their salespeople are giving money to purchasing agents to obtain sales. While 34.3% of respondents stated they would *say and do nothing* regarding their own actions, 36.5% chose the same answer with regards to the behaviour of an average manager. At the same time, 38.4% and 43.7% of managers answered for themselves or an average manager, respectively, that they would “issue an order stopping future payments, but not reduce sales people’s pay”. Below are some of the reasons respondents gave for their answers:

For those who said that they would say and do nothing:

- Because it is profitable
- If sales are going well, no need to say anything

For those who said that they would issue an order stopping future payments, but not reduce sales peoples’ pay: Give warning

Compared to 3.6% in Japan and 12.4% in Korea, 34.3% of respondents in Mongolia would “say and do nothing”. On the other hand, 69.2% of Japanese and 49.2% of Korean managers said for themselves that they would issue an order but not reduce sales people’s pay, while only 38.4% of Mongolian managers gave the same response.

Regarding respondents’ view of an average manager, a similar proportion of respondents from all three nations thinks they would say and do nothing. However, a full 60.2% of Japanese managers are of the opinion that an average manager would issue an order stopping future payments, but not reduce sales people’s pay. This result was followed by Mongolia as a distant second (43.7%) and Korea in third place (31.9%).

CONCLUSION

Mongolia is a developing country, which is still struggling to implement political and economic reforms to become a democratic society with a free market economy system. In line with that, economic agents suffer from a lack of information concerning BE and other economic fields, and the level of development of the local business environment including BE is

lower than that of the other countries mentioned in this study – Korea, Japan, and the USA. Recently, the declining business environment has only served to highlight the need for greater attention as well as research in the field of BE.

The findings of our study, which is the first monothematic study to deal with BE in Mongolia, can be briefly summarized as follows. Firstly, the respondents in the Mongolian survey admitted the existence of unethical practices in their industries. Secondly, *cheating customers* topped the list of unethical practices that they would most wish to be eliminated. Thirdly, nearly half of the respondents have experienced a conflict between company interests and personal ethics. These conflicts mostly arise in relation with superiors and colleagues in situations involving *fairness and discrimination* and *honesty in internal communication*. Fourthly, in their ethical decision-making, Mongolian managers tend to be situational, with *one's financial need* and *one's personal code of behaviour* being the most influential factors to make unethical or ethical decisions, respectively. Furthermore, the majority of respondents indicated that the standard of BE is lower today than it was 10 years ago. Top causes for lower ethical standards include *political corruption and loss of confidence in government* and *lack of personal integrity*. The most common BE enhancement tools used in Mongolia are codes of ethics and employee training in ethics. However, according to the survey respondents, the effort their companies make to promote BE is not yielding satisfactory results. The findings of the study also indicate that BE related decisions are strongly influenced by employees' superiors.

With regard to the international comparison, the study revealed some differences as well as similarities among the respondents from the four national groups. Notable differences between Mongolian managers and those from the other countries could be seen with regards to the ranking of social groups according to their importance for company. While American, Japanese, and Korean respondents were unanimous in ranking customers first, employees second, and stockholders third, in Mongolia suppliers occupied the third place. Secondly, in situational questions, managers from the other three nations always perceived average managers as being less ethical than themselves. In contrast, Mongolians did not see a big difference between themselves and average managers in terms of their attitudes to BE.

Although its results should be interpreted with great caution, this study provides important ideas concerning Mongolian managers' perceptions

of BE which can serve as basic guidelines for business practitioners. Furthermore, as the first one to focus on the topic of BE, our study also points to the direction for future research, as many findings call for an additional study or require deeper analysis for more accurate interpretation. It is also important to bear in mind that as with any other survey study, the answers in the survey may be biased and reflect the opinions of the survey respondents. Another reason for concern is the lack of context which would allow for more accurate interpretation. Mongolian culture nowadays is a mixture of influences from old tradition, the Soviet period, as well as the transitional process. As such, if we wish to gain a better understanding of the attitudes and ethical perceptions of Mongolians today, local culture needs to be examined in more depth.

APPENDIX: SITUATIONS

1. An executive earning \$10,000 a year has been padding his expense account by about \$500 a year. What do you think?

2. Imagine that you are the president of a company in a highly competitive industry. You learn that a competitor has made an important scientific discovery which will give him an advantage that will substantially reduce, but not eliminate, the profits of your company for about a year. If there were some hope of hiring one of the competitor's employees who knew the details of the discovery, what would you do?

3. The minister of a foreign nation, where extraordinary payments to lubricate the decision-making machinery are common, asks you, as a company executive, for a \$300,000 consulting fee. In return, he promises special assistance in obtaining a \$100 million contract which should produce, at least, a \$500,000 profit for your company.

4. Imagine that you are a regional sales manager for a large industrial supply company and your salespeople are giving money to purchasing agents to obtain sales. This is beyond the generally acceptable meal or promotional item. Assuming that no laws are being violated, what would you do?

REFERENCES

- Ahmed, M. M, Chung, K.Y. & Eichenseher, J. W. (2003), "Business Students' Perception of Ethics and Moral Judgment: A Cross-Cultural Study", *Journal of Business Ethics*, 43, 89-102.
- Al-Khatib, J. A, Rawwas, M. Y. A. & Vitell, S. T. (2004), *Organizational Ethics in Developing Countries: A Comparative Analysis*, *Journal of Business Ethics*, 55, 307-320.
- Baumhart, R. C. (1961), "How Ethical Are Businessmen?", *Harvard Business Review*, 39, 6-176.
- Becker, H. & D. J. Fritzsche (1987), "Business Ethics: A Cross-cultural Comparison of Managers Attitudes", *Journal of Business Ethics*, 6, 289-295.
- Brenner, S. N. & Molander, E. A. (1977), *Is the Ethics of Business Changing?*, *Harvard Business Review*, 55, 57-71.
- Center for Business Ethics at Bentley College: (1992), "Instilling Ethical Values in Large Corporations", *Journal of Business Ethics*, 11, 883-867.
- Christie, P. M. J, Kwon, Ik-W.G., Stoeberl, P.A. & Baumhart, R. (2003), "A Cross-cultural Comparison of Ethical Attitudes of Business Managers: India, Korea and the United States", *Journal of Business Ethics*, 46, 263-287.
- Choi, T. & Nakano, C. (2008), "The Evolution of Business Ethics in Japan and Korea Over the Last Decade", *Human System Management*, 1-17.
- Fritzsche, D. J., Sugai, Y.P, S., Tsai, S. D., Kim, J. & Becker, H. (1995), "Exploring the Ethical Behaviour of Managers: A Comparative Study of Four Countries", *Asia Pacific Journal of Management*, 12, 37-61.
- Hofstede, G. (1980), *Culture's consequences: International differences in work related values*, Sage Publications, Beverly Hills, CA.
- Hofstede, G. & Hofstede, G. J. (2004), *Cultures and organizations: Software of the Mind* (Third Millenium Edition). McGraw-Hill, New York.
- Jackson, T. & Artola, M. C. (1997), "Ethical Beliefs and Management Behaviour: A Cross-Cultural Comparison", *Journal of Business Ethics*, 16, 1163-1173.
- Jaffe, E. D. & Tsimerman, A. (2005), "Business Ethics in a Transition Economy: Will the Next Russian Generation be any Better?", *Journal of Business Ethics*, 62, 87-97.
- Kaye, B. N. (1992), "Codes of Ethics in Australian Business Corporations", *Journal of Business Ethics*, 11, 857-862.

- Lee, C. Y. & Yoshira, H. (1997), "Business Ethics of Korean and Japanese Managers", *Journal of Business Ethics*, 16, 7-21.
- Milton-Smith, J. (1997), "Business Ethics in Australia and New Zealand", *Journal of Business Ethics*, 16, 1485-1497.
- Morgan, R. B. (1993), "Self and Co-worker Perceptions of Ethics and Their Relationships to Leadership and Salary", *Academy of Management Journal*, 36, 200-214.
- Robertson, C. J., Gilley, K. M. & Street, M.D. (2003), "The Relationship between Ethics and Firm Practices in Russia and the United States", *Journal of World Business*, 38, 375-384.
- Sims, R. L. & Gegez, A. E. (2004), "Attitudes Towards Business Ethics: A Five Nation Comparative Study", *Journal of Business Ethics*, 50, 253-265.
- Vitell, S. T. & Festervand, T. A. (1987), "Business Ethics: Conflicts, Practices, and Beliefs of Industrial Executives", *Journal of Business Ethics*, 6, 111-122.
- Vitell, S. T., Dickerson, E. B. & T.A.Festervand (2000), "Ethical Problems, Conflicts and Beliefs of Small Business Professionals", *Journal of Business Ethics*, 28, 15-24.
- Wilhelm, P. (2002), "International Validation of the Corruption Perceptions Index: Implications for Business Ethics and Entrepreneurship Education", *Journal of Business Ethics*, 35, 177-189.
- World Bank Institute (2009), "Governance Matters 2009, Country Data Report for Mongolia, 1996-2008", 1-7