

INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

**CORPORATE SOCIAL RESPONSIBILITY AMONG THE
SMALL AND MEDIUM SIZED ENTERPRISES IN
KAZAKHSTAN**

Author: Aizhan Zhaimina

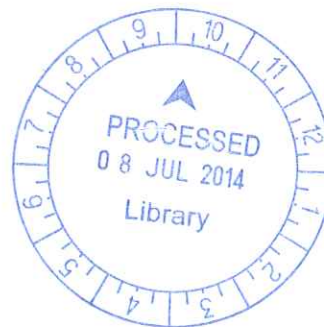
Student No: I12000684

Supervisor: Dr. Jaspal Singh Joginders

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ABSTRACT

This research has been executed in order to find out the role of corporate social responsibility among the small and medium sized enterprises in Kazakhstan. To achieve the set aim of the research, some objectives have been set. One of the objectives of this research is to find out the role of CSR in the development of the business. Hence, in this regard the findings of this research conclude that, in the current era CSR plays a crucial role in the development of the business, because when the stakeholders of the organizations know that, the company is not only functioning in the industry to make profits, but is also making to provide benefits to its stakeholders, this results in enhancing the overall performance of the business.

The results of this research related to the last factor of CSR i.e. philanthropic responsibility, it is concluded that, philanthropic responsibility does not significantly impacts the performance of SMEs in Kazakhstan. Moreover, the findings of this research also highlight that, there is no relationship between philanthropic responsibility and performance of SMEs in Kazakhstan. However, the managers of SMEs, who have been a part of the survey of this research illustrates that, this responsibility mainly covers those practices and activities that are highly desirable for every individual of the society.

On the whole, the findings of this research conclude that, CSR is one of the important parts of the business operations and implementation of CSR activities, especially related to ethical, legal and economic responsibility is crucial to enhance the performance of small and medium sized enterprises in Kazakhstan.

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DECLARATION

I hereby declare that this research project is of my own effort except for the information that has been used from authors that have been cited accordingly and ethically.

Aizhan Zhaimina

20th April 2014

TABLE OF CONTENTS

ABSTRACT.....	i
ACKNOWLEDGEMENT.....	ii
DECLARATION.....	iii
TABLE OF CONTENTS.....	iv
LIST OF TABLES.....	viii
LIST OF FIGURES.....	ix
LIST OF ABBRIVATIONS.....	ix
CHAPTER 1: INTRODUCTION.....	1
1.1 Introduction.....	1
1.2 Background of the Study.....	3
1.3 Motivation of Study.....	4
1.4 Problem Statement.....	5
1.5 Research Objectives.....	6
1.6 Research Questions.....	7
1.7 Benefits of the Study.....	7
1.8 Scope of Study.....	7
1.9 Proposed Chapters.....	8
1.10 Chapter Summary.....	8
CHAPTER 2: LITERATURE REVIEW.....	9
1. Ethical Responsibility.....	9
2. Legal Responsibility.....	13
3. Economic Responsibility.....	15
4. Philanthropic Responsibility.....	17
CHAPTER 3: RESEARCH METHODOLOGY.....	22

3.1	Introduction.....	22
3.2	Research Framework.....	23
3.3	Hypothesis Generation.....	26
3.4	Sampling and Data.....	27
3.4.1	Sample Selection.....	27
3.4.2	Description of Data.....	28
3.4.3	Data Sources and Collection.....	29
3.5	The Variables and Measurements.....	29
3.6	Equations and Statistical Procedures.....	30
3.7	Chapter Summary.....	30
	CHAPTER 4: DATA ANALYSIS.....	32
4.1	Introduction.....	32
4.2	Reliability Analysis.....	32
4.3	Descriptive Analysis.....	33
4.3.1	Independent Variable; Ethical Responsibility.....	33
4.3.2	Independent Variable; Legal Responsibility.....	35
4.3.3	Independent Variable; Economic Responsibility.....	36
4.3.4	Independent Variable; Philanthropic Responsibility.....	37
4.3.5	Dependent Variable; Performance of SMEs in Kazakhstan.....	39
4.4	Correlation Analysis.....	40

4.4.1 Correlation between Ethical Responsibility and Performance of SMEs in Kazakhstan.....	41
4.4.2 Correlation between Legal Responsibility and Performance of SMEs in Kazakhstan.....	42
4.4.3 Correlation between Economic Responsibility and Performance of SMEs in Kazakhstan.....	43
4.4.4 Correlation between Philanthropic Responsibility and Performance of SMEs in Kazakhstan.....	44
4.5 Regression Analysis.....	45
4.6 ANOVA Test.....	49
4.7 Chapter Summary.....	51
CHAPTER 5: CONCLUSION.....	52
5.1 Introduction.....	52
5.2 Overall Findings.....	52
5.3 Hypotheses Result of Study.....	55
5.4 Contribution of Study.....	55
5.5 Limitation of Research.....	56
5.6 Recommendation on Research in Future.....	57
5.7 Personal Reflection.....	58
5.8 Chapter Summary.....	59
REFERENCES.....	60
APPENDICES.....	65

Appendix 1: Questionnaire.....	66
Appendix 2: SPSS tables.....	70
Appendix 3: Initial Research Paper Proposal.....	77
Appendix 4: Ethics Form.....	94
Appendix 5: MBA Project Log.....	113
Appendix 6: Turnitin Report.....	122

LIST OF TABLES

Table 1: Reliability.....	33
Table 2: Descriptive Analysis (Ethical Responsibility).....	34
Table 3: Descriptive Analysis (Legal Responsibility).....	36
Table 4: Descriptive Analysis (Economic Responsibility).....	37
Table 5: Descriptive Analysis (Philanthropic Responsibility).....	39
Table 6: Descriptive Analysis (Performance of SMEs in Kazakhstan).....	40
Table 7: Correlation between Ethical Responsibility and Performance of SMEs in Kazakhstan.....	42
Table 8: Correlation between Legal Responsibility and Performance of SMEs in Kazakhstan.....	43
Table 9: Correlation between Economic Responsibility and Performance of SMEs in Kazakhstan.....	44
Table 10: Correlation between Philanthropic Responsibility and Performance of SMEs in Kazakhstan.....	45
Table 11: Model Summary.....	45
Table 12: Coefficients.....	46
Table 13: Model Summary.....	46
Table 14: Coefficients.....	47
Table 15: Model Summary.....	47
Table 16: Coefficients.....	48
Table 17: Model Summary.....	48
Table 18: Coefficients.....	49
Table 19: ANOVA.....	49
Table 20: ANOVA.....	50
Table 21: ANOVA.....	50
Table 22: ANOVA.....	51

LIST OF FIGURES

Figure 1: Carroll's CSR Pyramid.....	24
Figure 2: Research Framework.....	26
Figure 3: 5 point of Likert-scale.....	31

LIST OF ABBREVIATIONS

CSR Corporate Social Responsibility
SME Small and Medium Enterprise

CHAPTER 1: INTRODUCTION

1.1 Introduction

The studies revealed that by far, small and medium enterprises (SMEs) comprises of a large number of organizations that are operating in the private sector of Kazakhstan. However, in the past, most of the policy makers and the academic researchers always emphasized on the large corporations (Lee et al., 2001). It has been identified that in the overall economy of the world, the 90% among all the registered firms in the economy are SMEs (Aaronson, 2003). Furthermore, it is analyzed that, SMEs play a crucial role in the development of the economy because SMEs are the major providers of the employment and also the producers of the large share of the total output in the industries especially, in developing countries (Brdulak, 2006).

Besides, the industrial and the economic importance of SMEs, it is determined that, SMEs not only play a critical role, but also have a significant effect when it comes to the social issues such as, working conditions, working environment and the income (Perez-Sanchez, 2003). This indicates that the corporate social responsibility is highly essential for the businesses. Therefore, many SMEs are emphasizing on enhancing their corporate social responsibilities in order to enhance the overall performance of the business (Lai, 2006).

According to Ararat (2008) the corporate social responsibility mainly refers to the appropriate development and the management of the economic, social and the environmental factors in the organization through collaborating with the stakeholders. Moreover, it has been identified that, the different dimensions of the corporate social responsibility are highly integrated. Such as, in order to act responsibly and remain consistent in managing the operations of the business, the organizations focuses on the goals that are long term and responsibility factor supports the overall activities of the business (Granerud and Boesby, 2009). In

addition, it is observed that each organization highlights the most appropriate points that need to be focused as well as the methods of implementation for the business activities.

Maimunah (2009) defined that, the corporate social responsibility is basically a strategic method through all the organizations including SMEs that can increase the competition in the industry, ensures organizations meet all the challenges related to the sustainable development and enhance their business activities. Polasek (2010) agreed that, the corporate social responsibility makes a win-win situation, which benefits everyone including organization itself, stakeholders, economy and the overall society.

In the last 20 years, after the dissolution of a former Soviet Union, it is determined that, Kazakhstan has seen and experienced drastic setbacks economically, which in turn increases the rate of poverty, at the time of its transformation to the economy based on market (Mahmood, 2008). During that process, the SME sector of Kazakhstan played a vital role in providing employment and good income. However, it is observed that SMEs no doubt, function quite responsibly in the economy but are unaware about using their potential of corporate responsibility to gain advantage (Trummer, 2010).

The major attributes of Corporate Social responsibility includes (Brdulak, 2006);

- The actions that benefits the stakeholders including; customers, employees, shareholders, suppliers, business partners and the overall environment.
- The voluntary actions of the organizations that helps in exceeding the legislation and the agreement requirements.
- The transparency and openness of the business activities, which helps in incorporating the social, economic and the environmental responsibility.
- The assistance to business in maintaining consistency among all the business activities instead of using ad-hoc actions.

- It works as the part of business strategy, rather than the separate actions.

1.2 Background of the Study

The corporate social responsibility (CSR) is defined in two different ways; firstly it is defined as the responsibility of the company for its impact on the environment and the society, which sometimes is beyond the legal compliance and the individual liability. Secondly, the corporate social responsibility is defined as the responsibility of the company's behaviour towards those with whom the company does the business and this includes; suppliers and the business partners (Lai, 2006). Bowie (2004) explained that, it is important for the organizations, small or large, to manage a good relationship with its stakeholders and the overall society in order to enhance the commercial viability and to put in value to the society.

The literature on corporate social responsibility has witnessed a significant development, as initially the focus of CSR was on the organization and the internal aspects of CSR, however, then the focus of CSR was moved towards the external aspects which includes; stakeholder issues and the issues related to value chains (Maimunah, 2009). Moreover, currently, the main focus of CSR in the organizations is on enhancing the relationship among the society and the business, as the organizations are increasingly contributing to the sustainable development (Porter and Kramer, 2002).

It has been analysed that, majorly the concept of the corporate social responsibility is used with reference to the large corporations (Aaronson, 2003). Nonetheless, the SMEs are now also using responsibility as the significant strategic means to enhance the competitiveness in the marketplace (Del Baldo, 2006). Chong (2008) elicited that, over the past few decades, the organizations are striving to act more responsibly due to several reasons, but the major motivation of the organizations behind using CSR is to attain long term goals and the profitability.

Polasek (2010) enunciated that, the corporate social responsibility plays an essential part in creating a positive impact on SMEs competitiveness in different ways such as;

- New ideas to enhance the business activities in the broader markets.
- It helps in offering better products through enhancing the production process, which eventually results in higher satisfaction and increased loyalty among the customers.
- It increases motivation and level of commitment among the employees, which results in more innovation and creativity within the organization.
- It helps in reducing the expenses and in increasing the profitability, because CSR facilitates to use production and the human resources in an efficient way.
- It enhances the organizations' reputation as the employer and assists in competing effectively for the better skilled workforce.
- It improves the opportunities for the networking among the business partners and the authorities.
- Provides positive visibility and the publicity.
- Enhances the image of the company, which in turn offers good opportunities to expand the business in different markets.

All the above mentioned benefits of corporate social responsibility have encouraged many organizations of developed as well as developing countries to act responsibly (Maimunah, 2009).

1.3 Motivation of Study

Studying the CSR among the SMEs especially in a country like Kazakhstan, where ever since the soviet era, only the big firms have ruled, have been a great motivation for me. The percentage of SMEs in this country is however increasing but the CSR practices are not highly appreciated as it is believed that the economy can only be run by the super

big firms that earn super big profits. Therefore, it has been a different and learning experience throughout this research.

1.4 Problem Statement

- In the current era, it has become essential for the organizations to understand the impact of the corporate social responsibility to remain competitive in the industry. It has been analyzed that, there are several SMEs that are focusing only on generating revenues and increasing the profitability and are not highly concerned about their responsibility towards society and the community, which may impact their reputation in the long run (Weber, 2008). It is also identified that, most of the SMEs, in developing countries failed to focus on the social and the cultural values of the marketplace, which in turn result in the unauthorized as well as unethical activities of the business (Lai, 2006).
- In Kazakhstan, the organizations operating in SME sector are constantly increasing, but the practices of CSR among the SMEs have received very little attention till date (Del Baldo, 2006). Trummer (2010) highlighted that, by far small and medium enterprises (SMEs) of Kazakhstan contribute largely in the development of the economy of the country. Moreover, past studies depicts the SMEs in Kazakhstan played a crucial role in providing the employment opportunities in the country as almost 80% companies that are registered in Kazakhstan are mostly SMEs in the private sector particularly.