

## Corporate Business Engagement in a Local Context

There are different views in describing corporate business engagement and the necessity for the companies nowadays to be involved in it. This paper presents different views on the definitions and examines the local practice of VivaCell-MTS- one of the biggest telecommunication companies working in Armenia with obviously great commitment to the social agenda.

Free market economy opened many opportunities for business development in Armenia a decade ago. For the mentality of the people used to be under the strict control of the government during Soviet Union free market economy was both frightening and encouraging. The idea that everyone is allowed to start its own business, to make profit for himself and not for the society (without any punishment or society's blame) had been very inspiring. Businesses started to grow and increased their assets and the capital, without any obligations to think about social problems or environmental concerns the society faced.

However, to be a part of the free market also means to follow *the rules of the game* and to appreciate values of the others. It means value the opinion of external stakeholders by being socially responsible corporate citizens. And “though free markets have brought unprecedented prosperity to many, they have been accompanied by widening inequalities of income and wealth, heightened job insecurity, and environmental hazards” (Reich 2007, 1). Companies, especially large corporations had to deal with the problems to maintain a competitive edge and to provide sustainable growth of the company. They started to think about the problems their stakeholders face, they need to be considered socially responsible or in other words, to be good. They need to be socially responsible not only to company's shareholders, executives and staff, but also to a wider community of suppliers, clients, partners, governments, media, and society at large. “Nowadays, in practice few big companies can afford to ignore being socially responsible” (Franklin 2008, 2).

Corporate Social Responsibility (CSR), “once a good doing sideshow, is now seen as mainstream. But as yet too few companies are doing it well” (Franklin 2008, 1). The approaches and

mechanisms practiced by companies differ. CSR includes everything from volunteering in the local community to looking after employees properly, from helping the poor to saving the planet. And CSR differs not only in its essence, but also in what companies call it. Thus, Franklin states that “Nobody much likes the CSR label” (Franklin 2008, 1). Some companies prefer to describe it as “corporate responsibility” (dropping the “social” as too narrow), or “corporate citizenship”, or “building a sustainable business”.

Because the activities are diverse and companies’ reports on the activities have lead to confusion, Klaus Schwab, the Executive Chair of the World Economic Forum, tried to identify distinctions among different types of corporate activities, so that the work companies do to engage in society is correctly understood and appreciated and companies are better able to benchmark themselves against the performance of different enterprises and learn from example (Schwab 2008, 1). In his article “Global Corporate Citizenship” (Schwab 2008, 3) defined five different types of business engagement-corporate governance, corporate philanthropy, corporate social responsibility, corporate social entrepreneurship and global corporate citizenship”. I will try to review the non-core business activities of the most popular in Armenia telecommunication company, VivaCell-MTS, in relation to the five concepts above.

Good *corporate governance*, according to Schwab, means that the company’s conduct meets or exceeds what is required on paper. Thus, VivaCell-MTS promotes volunteerism and civic participation of its employees in almost all activities the company involves. According to the Corporate Social Responsibility report (2<sup>nd</sup> edition, 2008), VivaCell-MTS employs disabled people and encourages employees to make strategic decisions on where to invest. The decisions on the charitable contributions made collectively with management and the staff.

The practice of *Corporate philanthropy* of the examined company is very well developed in terms of cash contributions, donations and investments. Almost every week an Armenian media covers VivaCell –MTS’s donations to orphanages, renovations of schools and houses for elderly people, renovation of museums, sport complexes, donations of housing, etc. Tracking the

motivations of these contributions leads to the understanding that at the heart of each investment are values (Grace and Wedroff 2001, 64). Out of ten identified motivational values identified by Kay Sprinkler Grace and Alan L. Wedroff in their article “High Impact Philanthropy”, the most compelling to the case of VivaCell-MTS and its chief executive, Mr. Ralph Yirikyan are: a) to engage in issues that matter deeply to them and their communities, b) to better their communities through development or enhancement of resources, and c) to be perceived as individuals and organizations who are making a difference, and to enjoy the resulting higher esteem.

What concerns, *corporate social responsibility* practices, which Schwab measures through triple-bottom line accountability, according to which a company reports not only on its financial results but also on stakeholders’ expectations of its environmental and social responsibilities. VivaCell- MTS has a competitive advantage over other companies in Armenia in not only doing CSR activities, but also in presenting it to the wider public. It has published CSR reports and has placed updates on CSR activities in company’s web-site. There is a disclaimer in the website of VivaCell-MTS that says: “*VivaCell-MTS believes in Armenia and recognizes this responsibility and thus the Company has been always striving to integrate it in the core of any strategic thinking and planning, and this is reflected in its daily operational behavior.*”

*Corporate social entrepreneurship* is also very descriptive to this telecommunication company. Within the framework of cooperation with UNDP Global Compact, VivaCell-MTS opened social integration center for disabled children in Shirak region and promoted further employment of the centers’ graduates.

The last, but the most impressive type of engagement, *global corporate citizenship*, is the most difficult to assess. Global corporate citizenship, as defined by Klaus Schwab, refers to company’s role in addressing issues that have a dramatic impact on future of the globe, such as climate changes, water storages, infection diseases, and terrorism (Schwab 2008, 5). Of course, VivaCell-MTS is continuing protection of cultural values, reconstruction of historical monuments,

and creating favorable conditions for the growth of Armenian communities, however, along with this, its role in addressing the global issues, I hope, is a task for the future.

To conclude examining the most famous socially responsible company in Armenia, I would like to refer to the statement of Michael Porter acknowledged in the article of Daniel Franklin: “Unfortunately, in most cases CSR remains too unfocused, too shotgun, too many supporting someone’s pet project with no real connection to the business” (Franklin 2001, 5) and VivaCell-MTS experience supports this statement. This may be conditioned by the turbulent reality surrounding business, most obvious in a transition country like Armenia. And it is rather difficult to evaluate the impact of many short-term initiatives versus single or sectoral long-term investments; therefore companies do not bother making adjustments in their long –term strategies.

### *Bibliography*

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