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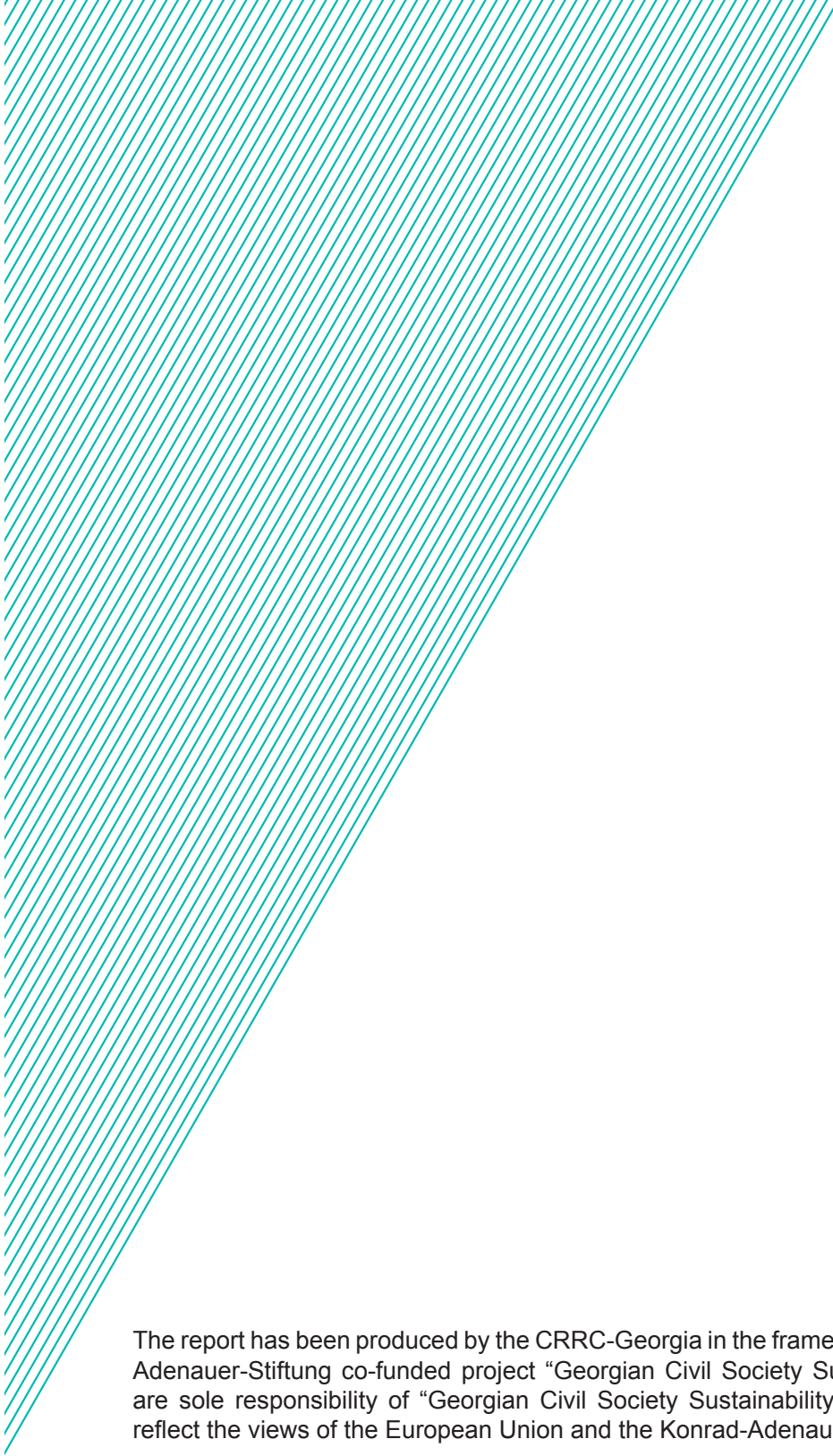


**GEORGIAN CIVIL SOCIETY  
SUSTAINABILITY INITIATIVE**

**BUSINESSES IN GEORGIA:**

**Attitudes towards Corporate  
Social Responsibility and Civil  
Society Organizations**

**Tbilisi, 2018**



The report has been produced by the CRRC-Georgia in the framework of the EU funded and Konrad-Adenauer-Stiftung co-funded project “Georgian Civil Society Sustainability Initiative”. Its contents are sole responsibility of “Georgian Civil Society Sustainability Initiative” and do not necessarily reflect the views of the European Union and the Konrad-Adenauer-Stiftung.

“Georgian Civil Society Sustainability Initiative” is implemented by the Konrad-Adenauer-Stiftung in cooperation with four Georgian civil society organizations Civil Society Institute (CSI), Center for Training and Consultancy (CTC), Center for Strategic Research and Development of Georgia (CSR DG) and Education Development and Employment Center (EDEC).



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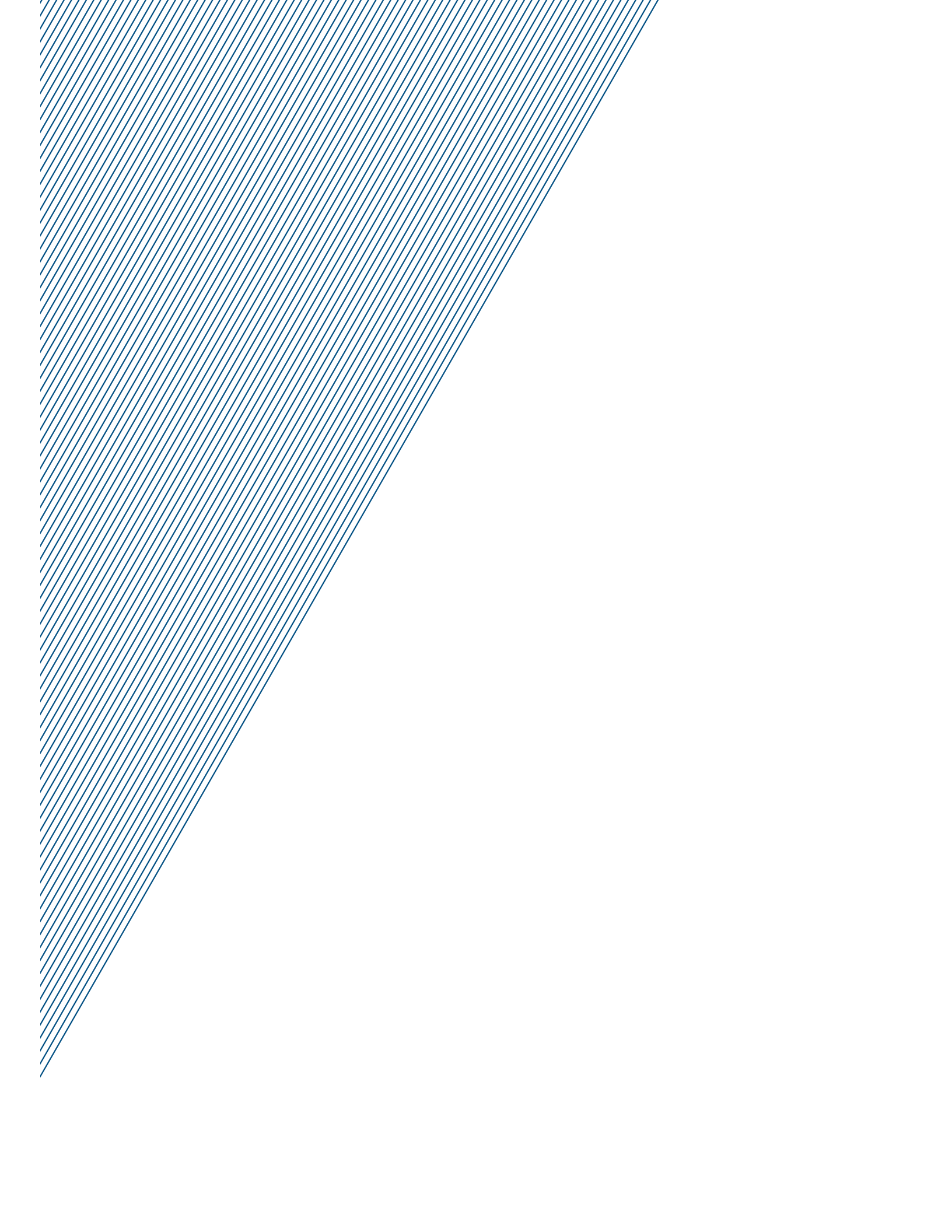
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# TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	5
<b>METHODOLOGY</b> .....	6
<b>CHAPTER 1:</b> Corporate Social Responsibility in Georgia: Beginnings and Patterns of Contemporary Development .....	7
<b>CHAPTER 2:</b> Attitudes of Businesses towards Corporate Social Responsibility and the Social Functions of Business.....	10
2.1 Georgian Businesses and Corporate Social Responsibility: Peculiarities of Awareness .....	10
2.2 Attitudes regarding Corporate Social Responsibility and the Social Role of Business .....	13
<b>CHAPTER 3:</b> The Practice of Corporate Social Responsibility in Georgian Businesses.....	15
<b>CHAPTER 4:</b> Business Companies and Civil Society Organizations in Georgia .....	20
4.1 Cooperation between CSOs and Business.....	20
4.2 Attitudes of Business Companies toward Civil Society Organizations.....	22
<b>CONCLUSION</b> .....	24
<b>BIBLIOGRAPHY</b> .....	26



## INTRODUCTION

The concept of Corporate Social Responsibility (CSR) is gaining a foothold in Georgia. The notion that companies should care for their employees, customers, partners, the environment and for society, and not focus solely on making a profit, is no longer a completely foreign concept. The following research reveals that 28% of companies agree, and 40% completely agree, that caring about the environment and about societal well-being are part of a company's core remit, comparable to business development or increasing profit margins. Furthermore, 30% of the surveyed respondents believe that CSR is already a general characteristic part of companies doing business in Georgia. In spite of these relatively positive findings, managers must possess the appropriate knowledge, expertise and have experience of such practices in order to integrate CSR into the everyday operations of a company.

This report presents the results of research into the attitudes of businesses working toward corporate social responsibility within Georgia. Using a representative survey, in-depth interviews and desk research, the report outlines not only the feelings of management toward CSR, but also uncovers and critically evaluates the established CSR practices in Georgia; practices which often represent a combination of charitable work alongside CSR. The study investigates the attitude of the business sector towards various stakeholders, including other companies and the state. The latter is considered one of the parties that is responsible for, and capable of creating, a favourable environment for the development of CSR. A significant group of the respondents identified the lack of proper support from the state as a main factor hindering the advancement of CSR.

The survey also focuses on companies' attitude towards civil society organizations (CSOs), which are considered key partners in carrying out joint initiatives and projects within the scope of CSR. Promisingly, many companies showed a high level of trust in CSOs and expressed a readiness to cooperate with them.

This research was commissioned by the EU funded Georgian Civil Society Sustainability Initiative (CSSIGE). The CSSIGE project is implemented by the Konrad-Adenauer-Foundation in cooperation with four civil society organizations: the Civil Society Institute (CSI), the Center for Training and Consultancy (CTC), the Center for Strategic Research and Development of Georgia (CSR DG) and the Education Development and Employment Center (EDEC).

## METHODOLOGY

The study is based on a representative survey of businesses operating within Georgia, in-depth interviews with managers of large companies, and a desk review of prior studies on the status of Corporate Social Responsibility in Georgia. The survey aimed to reveal respondents' knowledge of and attitude towards CSR, their experiences and practice. Another focus of the study was the attitude of businesses towards CSOs and their readiness to work with them.

CRRC-Georgia worked closely with the Georgian Civil Society Sustainability Initiative team to develop the research methodology and tools necessary for this study. Part of the survey instrument was prepared based on the results of a 2007 study conducted by the Center of Strategic Research and Development of Georgia (CSR DG).

The target population of the survey component of the study was enterprises registered and operating in Georgia. To ensure that the research was representative on a national scale, as well as in terms of geographic location and business size, CRRC-Georgia used a multi-stage stratified sampling method. Small, medium, and large businesses were identified as strata, or as sub-groups of businesses on which the survey's results can be generalized. Additional stratification was made based on the geographic location of the companies. The sampling frame was based on the list of operational entities, as updated on January 1st, 2017, and provided by the National Public Registry. The target organizations in each stratum were chosen by simple random selection. In total, 568 organizations were surveyed (see Table 1).

**Table 1**

SIZE	TBILISI	THE REGIONS	TOTAL
Small	43	141	184
Medium	87	100	187
Large	125	72	197
Total	255	313	568

***The Organizations Participating in the Survey Arranged by Business Size and Geographic Location***

When assessing the size of the organizations targeted, the study relied on the classifications used by the Georgian National Statistics Office prior to 2017. Specifically, large businesses are classified as those with an annual turnover of at least 1.5 million GEL or employing a minimum of 101 people; medium businesses are those with a turnover from 0.5 to 1.5 million GEL or employing between 20 to 101 people; and small businesses are regarded as those with a turnover of less than 0.5 million GEL or employing fewer than 20 people. Additionally, 53 businesses with known CSR activities were added to the representative sample.



Face to face interviews with respondents were conducted. CRRC-Georgia recruited decision makers and representatives of the sampled companies' upper management as respondents. Therefore, interviews were mostly conducted with business owners or directors. When necessary, responses were also solicited from financial managers, HR managers, marketing managers and employees who work on CSR matters.

The in-depth interviews were conducted with the aim of better understanding the current models of CSR practiced by organizations in Georgia. To this end, representatives of large businesses, as well as CSOs working in Georgia, were interviewed. In the case of business organizations, the respondents were the managers responsible for CSR programmes, whereas for those in civil society organisations, the respondents were chairpersons or the top executives. In total, six interviews were conducted with business organizations and eight interviews with CSOs. The audio recordings were transcribed and edited using the qualitative data computer program NVIVO 11.

## **CHAPTER 1: CORPORATE SOCIAL RESPONSIBILITY IN GEORGIA: BEGINNINGS AND PATTERNS OF CONTEMPORARY DEVELOPMENT**

There are numerous technical definitions of Corporate Social Responsibility, but fundamental is the idea that businesses should voluntarily, and regularly, pay attention to the interests of their customers, suppliers, employees, partners, and to society in general; that without legal compulsion, they should devote part of their energy and resources to attaining socially beneficial goals, which are not necessarily quantifiable in a strictly monetary sense.

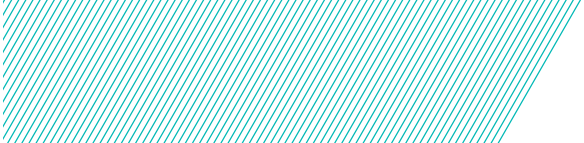
The concept of CSR entered circulation in the 1980s, while the notion of a business having a 'social responsibility'. By the modern understanding, the term was introduced at the World Summit in Rio de Janeiro, in 1992. At this time, global companies pushed the idea of self-regulation: the idea that businesses themselves should put the onus on performing civic-minded actions without the need for state compulsion.<sup>1</sup>

Thus, in a global context CSR is a relatively new concept, and in Georgia the idea has yet to put down deep roots. Initial studies into CSR in Georgia were carried out by CSOs such as CS-RDG and the Eurasia Partnership Foundation (now the Europe Foundation). In 2007, CSRDG directed two studies into CSR. The first, "The Study of Public Perceptions and Expectations for Corporate Social Responsibility in Georgia," was conducted with the support of the UNDP Global Compact Project. The second, a more focused study, was entitled "Large Businesses in Tbilisi and Corporate Social Responsibility", and was conducted under the auspices of Oxfam Novib.

The 2007 Study of Public Perceptions and Expectations for Corporate Social Responsibility, which was restricted solely to Tbilisi, revealed that the capital's residents considered both the private sector and the government equally important in developing CSR culture in the country. The respondents thought CSR factors played the least important role in determining the real success of companies in Georgia. At the same time, 93% of the respondents agreed that, aside

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<sup>1</sup> Le Blanc, D. (2011) *Review of Implementation of the Rio Principles*. New York: United Nations.



from securing the maximum profit while following the law, companies should voluntarily take responsibility to help meet public needs. Moreover, during decision making, the respondents agreed that companies should consider the impact of their work on the development of the country.

The second 2007 study, “Large Businesses in Tbilisi and Corporate Social Responsibility”, conducted by CSRDG, revealed that businesses themselves believed they had a significant role to play, and that their social responsibilities went beyond merely conducting business while meeting the legal requirements. Respondents from 20 large commercial organizations in Tbilisi stated that making contributions towards societal improvement; solving social or economic problems; and protecting the environment were each part of their responsibility. Business representatives believed that, alongside their day-to-day work, they, to an extent, should be involved in resolving economic, social and ecological problems.

Significantly, both 2007 studies clearly identified that awareness of CSR in business circles and amongst the general public was extremely low. The studies revealed that one-third of all respondents had never heard of the concept of CSR. Similarly, large companies headquartered in Tbilisi held that CSR involved satisfying legal obligations and conducting business in a professional manner (paying taxes; doing business in a transparent manner; offering quality products and services to the customer; attracting investment; developing business; etc.), as well as engaging in various social projects beyond their commercial affairs. Further low awareness of CSR was demonstrated by confusion between the principles of CSR and those related to charity.

The Study of Public Perceptions and Expectations for Corporate Social Responsibility in Georgia revealed that 45-47% of the respondents could not name a single company engaged in CSR projects. In stark contrast, the respondents were markedly aware of charitable and philanthropic projects. The study concluded that charity and philanthropy are more widespread and better-known within society than CSR. This also serves to indicate that people have too little information about companies’ CSR practices.

According to the 2007 CSRDG study of businesses, the government should introduce benefits and incentives within the business sector as a means of facilitating the spread and development of CSR culture. Importantly, the business representatives surveyed named the lack of state support as a barrier to the development of CSR, something which is still found in the present research, eleven years after the CSRDG study.

Members of society equally have a similar understanding of the issues. The Study of Public Perceptions and Expectations for Corporate Social Responsibility in Georgia revealed that the majority of the respondents believe the government has a decisive role in creating the stimulus required for businesses to engage in CSR. A great majority, 81%, of the respondents thought that it would be appropriate to grant tax benefits to businesses partaking in CSR. Sixty percent thought that the government should create a special fund where businesses could donate certain amounts towards conducting socially oriented projects. Half of the respondents noted that it would be appropriate for the government to compel businesses to become involved in CSR.

An additional CSRDG study conducted in 2012, “Corporate Social Responsibility and the Role of the Public Sector”, included an analytical overview alongside concrete recommendations to the Georgian government. The authors’ state there is significant potential for the development of further CSR in Georgia. This assertion has been proven by companies’ acknowledgement of their role and functions in society; by the established tradition of support and corporate philanthropy for local communities; and by recognizing the positive impact of CSR on a company’s reputation and image.

The report recommended the creation of a political, legal and institutional environment facilitating the expansion of CSR; the development of skills and know-how, as well as raising awareness; the facilitation and popularization of business transparency; and the stimulation of CSR. Unfortunately, at this stage the government has failed to make any impactful steps in supporting CSR.

Since 2008, organizations enabling the progress of CSR have worked cooperatively to establish a common agenda. In 2008, the Eurasia Partnership Foundation (the current Europe Foundation), the British Council and the Open Society Georgia Foundation held a joint conference where they discussed opportunities for businesses, the government, non-commercial organizations and academic institutions to cooperate and achieve socially beneficial goals.

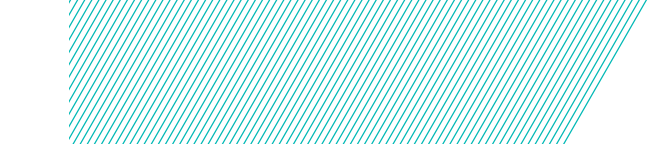
In 2009, twelve organizations, including CSOs, international organizations, and the chambers of trade and commerce of Georgia and those of other countries, signed a memorandum of cooperation to help facilitate the spread of CSR principles and practices in Georgia.<sup>2</sup> Numerous events have subsequently been held within the project’s framework, including annual conferences, seminars and training for various stakeholders. Since 2016, the initiative has continued within the framework of the Global Compact Network Georgia, which unites 28 members, and was created under the aegis of the non-governmental organization, CiDA. Members of this network created the CSR Club, which unites companies doing business in Georgia and works to popularize CSR throughout the country.

In 2015, CSRDG founded the Pro Bono Network of Georgia, which aims to connect socially responsible companies, offering pro bono services to beneficiary civil organizations. The network currently unites 17 companies and, in 2016, joined the Global Pro Bono Network.

Such mechanisms facilitate dialogues between the business sector and CSOs in Georgia. The baseline study of the EU Roadmap Indicators of Engagement with CSOs, published in 2016 by the Institute of Social Studies and Analysis, shows that over half (53%) of surveyed CSOs did not cooperate with economic agents in 2015. The report also reveals that the situation was slightly better than in 2014 when 63% of CSOs had no experience of working with businesses. The most popular forms of such cooperation were the initiation of joint projects, financial aid and the funding of different activities within various organizations.

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2 Eurasia Partnership Foundation (2009): “International and Georgian organizations unite to spread the principles of Corporate Social Responsibility”. Retrieved on April 4, 2018 from [http://www.epfound.ge/wp-content/uploads/2016/07/press-release\\_geo.pdf](http://www.epfound.ge/wp-content/uploads/2016/07/press-release_geo.pdf)



Despite its small-scale recognition and practices, CSR is gaining popularity in Georgia. However, as the present research shows, it is mostly the larger and Tbilisi-based companies that are currently engaged in CSR. Nevertheless, the various research conducted in Georgia over the years suggests CSR practices have significant potential to become far more widespread.

## **CHAPTER 2: ATTITUDES OF BUSINESSES TOWARDS CORPORATE SOCIAL RESPONSIBILITY AND THE SOCIAL FUNCTIONS OF BUSINESS**

Frankly, Georgian businesses do not yet fully understand the meaning of CSR. A company's attitude to CSR is influenced by a range of factors such as the type of organization, the values of its managers, and the organizational style of the management. Our study found that the opinions of businesses towards CSR are often linked to the relationships of these businesses to non-governmental and international organizations, as well as to foreign businesses.

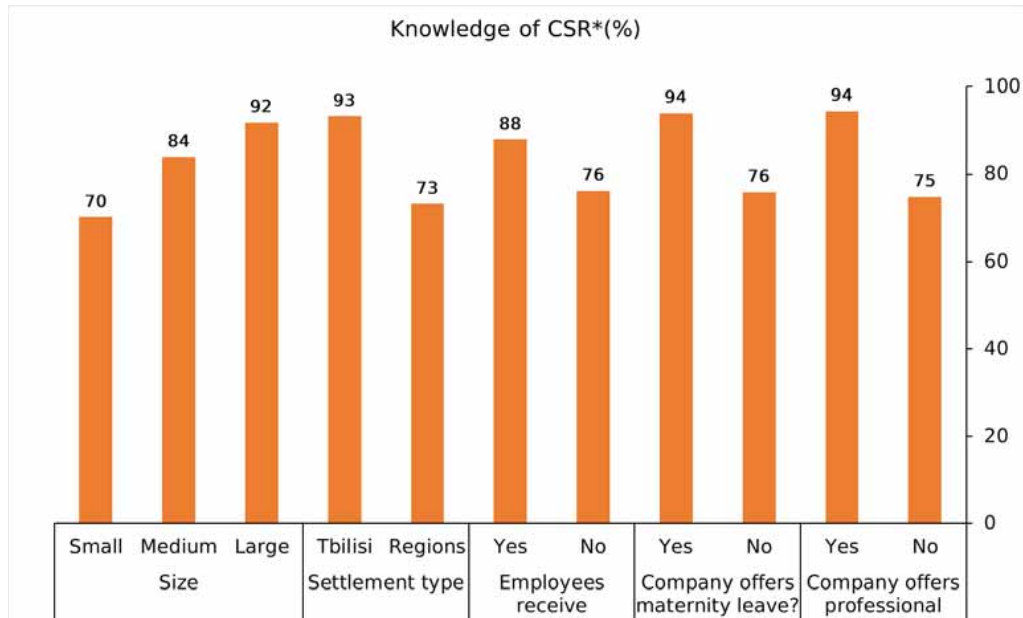
In general, the scale of CSR engagement within Georgian businesses is small. One frequently cited reason for this is the lack of governmental support. Of equal importance is the poor economic state of many organizations, which prevents their being able to participating in CSR activities. Another discouraging factor mentioned by businesses is the lack of interest and modest involvement of the public.

In this chapter we describe the practices and attitudes of businesses towards CSR. We also discuss the stated and implicit reasons preventing many organizations from engaging in CSR. The first subsection describes the existing peculiarities of awareness of CSR as a concept among businesses, while the second subsection investigates attitudes towards CSR. Both subchapters reveal the factors underpinning the current situation.

### **2.1 GEORGIAN BUSINESSES AND CORPORATE SOCIAL RESPONSIBILITY: PECULIARITIES OF AWARENESS**

While CSR practices are not widespread in Georgia, a clear majority of Georgian businesses are at least aware of the term Corporate Social Responsibility: with more than four-fifths (82%) of companies stating they have heard the term, compared to only 18% which have not. A company's geographic location and size make a difference to their awareness of CSR: companies operating in Tbilisi and larger companies are typically more conscious of CSR. Awareness is also connected to a company's values; the attitudes towards their employees; their practice of cooperating with CSOs; and membership within business associations. The more integrated companies are with business associations or other unions, the higher the chance they are aware of CSR. Companies that provide bonuses and benefits to their employees or give them development opportunities are also more aware of CSR.

**Figure 2.1**

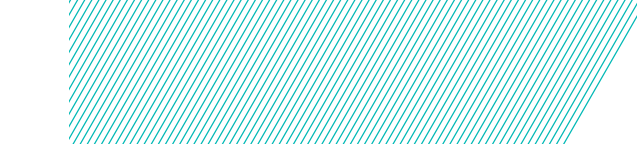


\* Knowledge of CSR is calculated on valid answers to the question “how characteristic is CSR to Georgian businesses”.

Notably, Tbilisi-based businesses are better informed: where only 7% of businesses operating in the capital had not heard of CSR, compared to around a quarter (27%) outside Tbilisi. In addition to their familiarity, the study shows that in Tbilisi the awareness of CSR is also associated with the size of companies. The respondents from large companies are generally familiar with the term (92%), whereas the respondents from small businesses are markedly less aware (70%).

Besides the differences in responses connected to company location and size, CSR awareness is also linked to various factors related to how ‘progressive’ a company is regarded: specifically, a company’s policy towards its employees, its general values and its cooperation with civil society organizations. Unsurprisingly, the results showed that the companies which engage in charity are more aware of CSR (89%) than the companies without charitable involvement (77%). The existence of an ethics code is also connected to awareness of CSR: although ethics codes exist in only one fifth of the businesses surveyed, the overwhelming majority (91%) are also aware of CSR, a full ten percent higher awareness over companies without ethics codes.

Furthermore, businesses that provide benefits for their employees are far better-informed about CSR. For example, the provision of employee health insurance is connected to a higher awareness of CSR, at 93%, compared to 78% awareness among companies that do not provide insurance to their employees. There is a similar picture in companies that provide bonuses or premiums (88% awareness compared to 76% awareness among companies without), maternity leave (94% awareness compared to 75% awareness among companies without). Providing opportunities for professional development is another important factor.



Businesses that care about increasing the competence of their employees are more likely to be conscious of CSR (94%), more so than businesses which are not (75%). The larger the company, the more likely they are to provide certain employee benefits, for instance only 4% of small companies provide health insurance, compared to 22% of medium and 43% of large companies. However, 18% of small businesses provide overtime pay and 14% offer professional training. This shows that while large companies are the most likely to be more 'progressive', there is a degree of variation.

CSR awareness is certainly higher in businesses that work with CSOs in any form. While only 8% of businesses surveyed currently engage with CSOs, of those only 9% were unaware of CSR, as opposed to 18% of businesses that do not work with CSOs. Similarly, companies that are ready to cooperate with CSOs are more aware of CSR (90%) compared to those which do not wish to cooperate with CSOs (71%), or those that will cooperate with only certain projects or organizations (83%). A business's relationships with other organizations and associations also correlates to the awareness of CSR. Businesses that are members of at least one association, of any type, display a higher awareness of CSR (94%) than those not members of any association (81%). There is a similar connection with foreign investors or partners, which includes around a quarter of medium and large businesses, but only 4% of small businesses. Businesses that have experience working with foreigners are more likely to be conscious of CSR (80%) over those without previous experience (66%).

Companies that have surveyed their customers or conducted market research within the last two years have a higher CSR awareness (91%) in comparison to companies that have not engaged in such activities (79%). A similar trend can be observed in terms of internal research. Companies that have conducted employee job satisfaction surveys at least once within the last two years have a higher awareness of CSR (91%) than those that have not done so (79%).

Interestingly, there is little difference in the awareness of CSR between companies which say their main goal is developing their own business, compared to companies which state that their main goal is doing social good alongside developing their business.<sup>3</sup> Eighty-five percent of companies that believe their goal is business development along with social good were aware of CSR, in contrast to 77% of companies that said their main goal is solely developing their business.

When asked why there is a low level of CSR in Georgia, the most common response given by the respondents is the lack of governmental support to CSR (26%). The second most common answer is that CSR is not beneficial for businesses (24%). Remarkably, about 10% of businesses believe that CSR does not interest their customers, while 9% of the respondents claimed that it is not a company's job to have a CSR programme.

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<sup>3</sup> In this question we asked respondents to choose one of the two answers: "Today the main function of companies like ours is to develop and strengthen our business" or "Today the functions of companies like ours is to develop our business and also to care for environmental protection and social well-being".

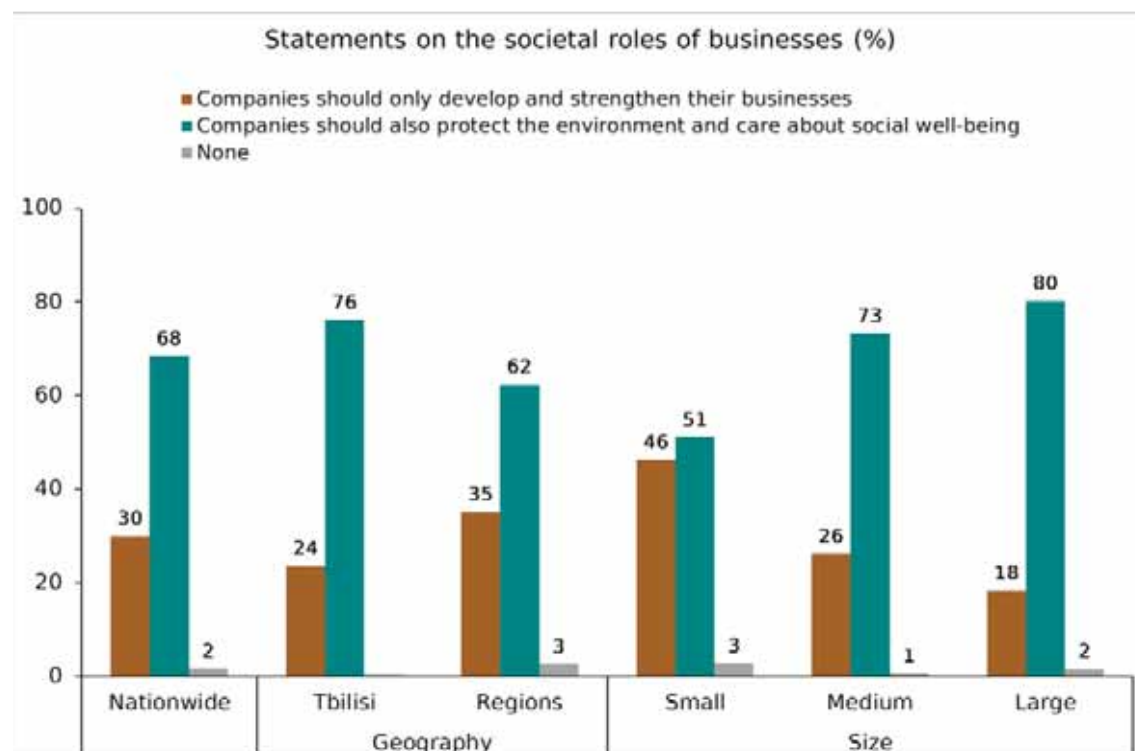


## 2.2 ATTITUDES REGARDING CORPORATE SOCIAL RESPONSIBILITY AND THE SOCIAL ROLE OF BUSINESS

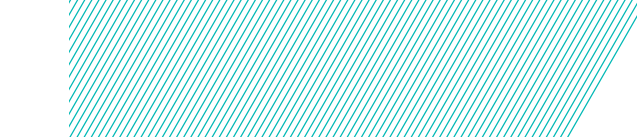
More than two-thirds of Georgian businesses have a positive outlook towards the broadly defined conceptions of CSR. Most businesses believe (68%), along with developing their business that a core function of business in society is to look after the environment and to care for social needs. Attitudes towards CSR and the social functions of business are linked to a business entity's size, its location (Tbilisi or the rest of the country), its resources, its association with larger organizations and whether it provides benefits, such as training or medical coverage, for its employees. Once again, on average the larger Tbilisi-based companies appear to be more 'progressive'.

Attitudes towards CSR were measured by asking the respondents about the role of business in society. The respondents were given a choice between two statements: businesses should develop and only focus on their profits, or further to that, they should care about environmental protection and social well-being. Based on their subsequent choice, we can assess how businesses view CSR.

**Figure 2.2**



As is shown in Figure 2.2, more than two-thirds (68%) of companies believe that an organization's main functions are both developing their business while caring about the environment and social well-being. Less than a third (30%) said that a company should only look after its business. Businesses operating in Tbilisi are more 'socially conscious', with more than three-quarters (76%) stating that businesses should also have to care about environmental protection and



social well-being. Whereas, in the regions only 62% of businesses think correspondingly. There are also differences according to the size of companies. Within large companies, 80% noted that environmental protection and social needs are important, whereas in mid-sized companies this figure is 73%, and in small companies only 51%. Furthermore, there is a significant overlap between an organization's location and its size: of the 197 large companies in the sample, 124 are based in Tbilisi. This contributes to the notion that larger Tbilisi-based companies are the most amenable to CSR.

As well as their size and geographical location, companies that put effort into caring for their employees, setting ethical standards and, unsurprisingly, companies that are already involved in charitable giving are more likely to support the idea of businesses having social functions. Out of 244 businesses (43%) involved with charities, the clear majority (85%), responded to being 'socially responsible' compared to just over half (55%) of those companies that do not donate to charity.

About one fifth of companies have an ethics code. The presence of an ethics code in an organization correlates to favouring CSR. The clear majority, 85%, of organizations with an ethics code also support the idea of businesses having social responsibility beyond their pure business function, whereas only 63% of organizations without an ethics code believe the same.

Similarly, providing fair labour conditions for employees and providing them with opportunities to earn benefits and develop professionally is also associated with a business having social functions. Eighty-five percent of the organizations that provide their employees with health insurance agree that businesses should have social functions, while only 63% of businesses which do not provide health insurance to employees agree. The situation is similar with the granting of bonuses and premiums to employees. The companies which motivate their employees in this manner support CSR ideas more so (79%) than those without such incentive programmes (57%).

Another dimension of the employer-employee relationship, maternity leave, reveals a similar picture: businesses that offer their employees maternity leave show higher support for environment protection and social well-being (79%) over those that do not provide maternity leave (63%). Finally, the existence of professional development opportunities for employees is also reflected by a management's values. Approximately 80% of companies that offer employee training and professional development opportunities support CSR, whereas only 61% of businesses without professional development opportunities back CSR.

Another expression of a company's attitude to its employees is how they protect their safety. Companies that offer safe working conditions and provide for the safety of their employees are characterized by their greater support for social responsibility. Organizations that have fire safety systems and equipment, and that provide safety training for employees, are more supportive of maintaining social functions (75%) compared to those organizations that have no safety systems in place (56%).



As one can see in the previous examples, attitudes towards social functions are closely correlated to a business's engagement and cooperation with different types of organizations. For example, businesses that work with CSOs (8% of the sample) are more socially responsible (83%) than those with no relationship to a CSO (67%). Business associations and voluntary unions are not very common in Georgia, where only 12% of the surveyed companies are members of unions. However, companies that are members of associations or unions are more supportive of businesses providing social functions (87%) in comparison to those without membership of an association (66%). Interestingly, exactly half of those companies which support businesses' social functions are large, Tbilisi-based entities, with the other 50% being regional, small or mid-sized. This shows that support for CSR can extend beyond the capital's largest companies.

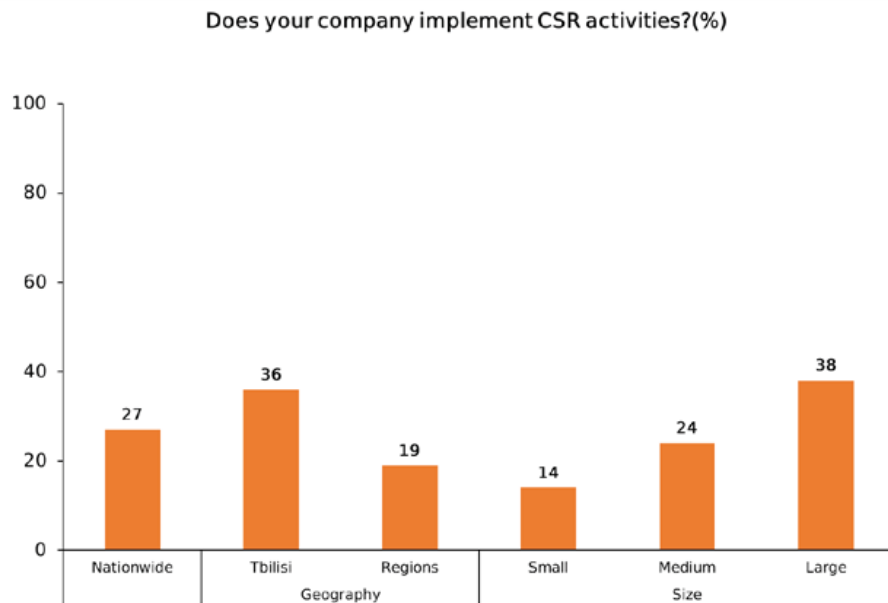
The companies interested in understanding the opinions of their customers and employees are more in favour of social projects. For example, businesses conducting market or customer research are more likely to support businesses offering social functions (78%) in contrast to businesses that do not conduct customer research (65%). The same holds for internal research: the businesses which take time to discern their employees' satisfaction levels are more supportive of their company's social function (84%) in relation to the businesses that do not seek such feedback (62%).

### **CHAPTER 3: THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY IN GEORGIAN BUSINESSES**

As previously noted, three-quarters (73%) of companies are aware of the concept of CSR; and two-thirds (68%) of businesses think that it is their responsibility to care about environmental protection and social well-being, alongside business development. However, despite those findings, just over a quarter (27%) of companies say that they are involved in CSR.

Company location and size are important factors as to whether a company participates in CSR practices. Companies that state they employ CSR are mostly concentrated in Tbilisi (36%), whereas in the regions this figure is only 19% (Figure 3.1). Unsurprisingly, the larger the company, the greater the chance it is involved in CSR.

**Figure 3.1**



The survey shows, amongst all socially oriented activities, businesses are the most keen to participate in charity. Furthermore, businesses engaged with charitable giving are more likely to have a corporate social responsibility programmes (46%) than those without a connection to a charity (10%).

As seen above, in terms of awareness and in attitudes toward CSR, the companies that offer bonuses to their employees are more likely to engage in CSR. Approximately 39% of the businesses that offer bonuses or premiums conduct CSR activities compared to 11% of the companies that do not offer such benefits. Similarly, the companies that provide maternity leave are more often engaged in CSR (41%) than those without maternity leave (15%). While the companies that care about the professional development of their employees and offer training are also more involved in CSR (42%) compared to those that do not (13%). Finally, the businesses that provide safe working conditions are more likely to employ CSR (30%) over than those without such precautions (19%).

The interviewees discussed several key directions in the development of CSR in Georgian companies. For instance, the respondents identified educational programmes, business, agricultural, environmental, the development of infrastructure and cultural heritage protection initiatives. Based on the interviews, the CSR programmes carried out by Georgian businesses can be divided into several groups. The first group is concerned with those communities or people that are directly affected by a company's work:

*"The philosophy of our investors is to give the resources taken from the community back to it, [...] that is why they try to invest in local development."*

*[Respondent 1, female business representative, the Region];*

*"I can give you an example. We have a programme at the Baku-Supsa [the oil pipeline] that aims to facilitate the development of small businesses in those villages that are located along the pipeline."*

*[Respondent 2, female business representative, Tbilisi]*

In each of these cases, the beneficiary is often involved in the planning phase of the programme. Depending on the issue, businesses contact local government and CSOs and together they plan the implementation of social programs.

The second type of CSR programme concerns the implementation of social projects that are not geographically limited; for example, educational projects in secondary schools or initiatives aimed at protecting and developing cultural heritage. Finally, businesses also carry out 'targeted intervention' programmes, which are single initiatives aimed at solving a specific problem or aiding an organization.

Companies acknowledge that part of CSR is caring about their employees:

*"In fact [CSR] is a much bigger thing. [It] is also about equal employment opportunities for women and men [...] for people of different ages. [...] I believe that one of the key components [of CSR] is the opportunity for all employees to attend training and seminars within certain limitations, and having [the organization] funding them."*

*[Respondent 4, female business representative, Tbilisi]*

The in-depth interviews also provide a useful perspective about the management of CSR activities within companies. As a rule, employees responsible for CSR are usually within the marketing and public relations departments. Decision-making relating to a given programme often depends on the budget and scale of that programme. If it is a large-scale project, decisions about its implementation are made by the upper management or an executive board. The decision-making for smaller initiatives is delegated to the mid-level management:

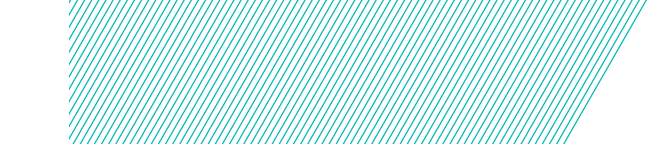
*"There are financial limits, let's say an initiative costs over USD 30,000, it goes to the general director."*

*[Respondent 4, female business representative, Tbilisi]*

*"Up to a certain limit a senior manager has the right to make a decision [...] Above that limit the request goes to the marketing director [...] then to his/her superior director [...] If the amount exceeds 50,000 GEL, we have to take it to the top management and the board for confirmation."*

*[respondent 5, female business representative, Tbilisi]*

Perhaps contributing to the slow development of CSR culture in Georgia is the fact that Georgian companies engaged in CSR do not consistently communicate information about their activities. Internationally, companies that aspire to meet key CSR benchmarks generally prepare and release reports detailing the CSR programmes they have undertaken and the results of those programmes. This is not the case in Georgia. Of the companies engaged in CSR, only eleven have published reports. The small size of the sample does not allow for a



detailed analysis of the issues, though, as is the case with almost all CSR-related activity, it is mostly large, Tbilisi-based companies which publish reports. Furthermore, of the eleven companies that have published CSR reports, only three have had them printed, the remainders being released only electronically.

The fact that CSR management is usually taken care of by the marketing and public relations departments points to another interesting trend. The fact that some businesses see the benefits of CSR as relating to an increased awareness of a company or its products:

*“There is an idea that if you do something related to CSR, it is not a must to make noise about it; in the Georgian context I do not agree with this approach [...] I believe that you should spread the word and make noise about what you do because somebody else might follow your example.”*

*[Respondent 4, female business representative, Tbilisi]*

On the other hand, another respondent, who works in a company with a CSR department, stated:

*“[The companies that carry out CSR programmes] are mostly engaged in philanthropy and not pure CSR activity. What they do is public relations inside and outside the company. The company offers a certain product or service to the customers and for them it is important to have their logo visible [when carrying out this or that programme].”*

*[Respondent 2, female business representative, Tbilisi]*

However, despite the public relations potential, companies engaged in CSR, for the most part, rarely inform the public, with only one third doing so. Of these, 12% communicate through social media, 11% with corporate websites, 3% using television, 3% through meetings and press conferences, and 2% via other means.

Companies require significant human resources to plan, carry out and monitor CSR activities. Therefore, it is important for companies to have a person or a team responsible for their CSR. Nevertheless, the overwhelming majority, 84% of companies employing CSR do not utilize a CSR programmes coordinator. Furthermore, of the 14 companies that do have a CSR coordinator, the position is not necessarily the employee's only role: five hold a dedicated role while nine have shared positions.

Of the Georgian businesses which take part in CSR activities, the majority do so independently. Two thirds of businesses to have ever implemented a CSR programme have done so without the involvement of the government, other businesses or CSOs. Just 17% of companies that have carried out a CSR programme have cooperated with the government or other companies, while 14% have collaborated with CSOs.

The interviewees have also offered interesting examples of cooperation between companies and the government. Businesses reportedly cooperate with both local self-government and central government representatives. The former takes place in the regions where the work of companies directly impacts local communities. In such instances, local self-government

is, to an extent, involved in the planning of CSR programmes. When it comes to cooperation with the central government, such cases are mostly of a cultural or educational nature.

Businesses suggest the government's involvement in the task of developing CSR culture in Georgia is of crucial importance. Firstly, it is imperative for businesses to know about the strategic directions of the state, so that they are able to develop their CSR projects in harmony with these priorities. Another problem is the current Georgian legislation prohibits foreign businesses from awarding direct grants to local organizations. Moreover, taxation is also a further problem. According to one interviewee, a significant part of CSR funding goes towards taxes and not to the implementation of projects:

*"[According to Georgia's tax code], grants and service contracts are taxed in a different manner. Therefore, this differentiated taxation mechanism [of double taxation] should be updated in order to direct [funds] towards implementing the actual project."*

*[Respondent 2, female business representative, Tbilisi]*

The in-depth interviews with business representatives were also used to ascertain which factors determine whether or not Georgian companies have CSR programmes. When speaking to representatives of companies which are involved in CSR, it became apparent that one of the main factors boils down to whether the owners or investors in a company demands that it carries out CSR activities. Notably, CSR programmes developed on the initiative of investors tend to take a long-term, consistent approach:

*"It was the investors' demand that the company exhibited high social responsibility. It was in this [geographic] area that we had to carry out a project that aimed at long-term results and would bring benefits to the local population. Another side benefit of the project is that property tax is paid directly to the [local] municipality [budget]."*

*[Respondent 1, female business representative, the Regions]*

Other interviewees also noted that the development of CSR is influenced by the values of the upper management and the business owners. If the management is particularly interested in a specific topic (for example, art), then significant company resources are invested in that direction:

*"In our very first office, there were paintings by young artists on the walls. Everything started by supporting them. It was our link with art back then."*

*[Respondent 5, female business representative, Tbilisi]*

## CHAPTER 4: BUSINESS COMPANIES AND CIVIL SOCIETY ORGANIZATIONS IN GEORGIA

### 4.1 COOPERATION BETWEEN CSOs AND BUSINESS

As mentioned in the previous chapters, only a small share of companies have CSR programmes. Even among companies that do practice CSR, cooperation with civil society organizations is extremely rare. Of the 568 business companies surveyed, only 14 have carried out a CSR project in cooperation with a CSO within the last ten years, which correlates to slightly more than 2% of the sample and constitutes 14% of companies with CSR programs. Although this small number of companies hinders identification of significant differences amongst the groups, nonetheless, it is not unexpected that most of these businesses are large and based in the capital.

However, cooperation between businesses and civil society does not limit itself to CSR programmes. To provide a better picture, we also asked companies if they had implemented any projects together with civil society organizations within the last two years. Forty-six companies responded positively, which consists of 8% of the entire sample. As expected, cooperation is more frequent in the capital (13%), whereas only 4% of companies have cooperated with CSOs within the regions. Furthermore, the larger the company, the more instances there are of cooperation. Sixteen percent of large companies report having cooperated with CSOs in the last two years, compared to 7% of medium and just 2% of small companies.

Cooperation between companies and CSOs is rarely initiated by the companies themselves: only six companies said they initiated cooperation. For the most part, the case is for jointly planned events (with 20 companies) or activities initiated by civil society organizations (with 19 companies).

The in-depth interviews with both representatives from businesses and CSOs sought to shed light on cooperation between the sectors. According to the interviewees, cooperation could take the form of a tender announced by large businesses on a specific issue, which is open to all entities, including civil society organizations. Additionally, there are cases when companies simply provide money to an organization to implement a CSR project. Interestingly, there are also specific platforms of cooperation; for example, the CSR Club, which connects civil society organizations and potential donor businesses. The Club's format seems to be successful:

*"[Businesses] come and you give them the right direction, show them [that there are many topics to collaborate on], make offers, help them because these things cost money and you practically give them the service for free, [...] when you are presented this and others see it, they want to be part of the Club, be part of the process and it has become infectious."*

*[Respondent 7, male CSO representative, the Regions]*

Cooperation between businesses and civil society organizations practically always follows the priorities of the businesses, and the initiatives are usually related to gender equality or women's empowerment, environmental protection or to agriculture.

There are numerous explanations as to why there is such limited cooperation between CSOs and businesses. Certain reasons are related to the policies of civil society organizations themselves, which prevent cooperation with businesses to preserve their neutrality. For instance, receiving funding from businesses might subject CSOs to the ideological influences of their donors, thus CSOs must carefully select potential donors and monitor their financial flows:

*“There is an issue of neutrality and that your work should be trustworthy for the wider public. So that when the public sees whose money and support stands behind your projects, they do not ask questions.”*

*[Respondent 8, female CSO representative, Tbilisi]*

Often it is hard for CSOs to gain the trust of businesses, especially in the regions. Furthermore, CSOs often find it hard to explain the benefits of cooperation to businesses. CSO representatives suggest that businesses are more interested in having positive media coverage than tangible results stemming from meaningful cooperation:

*“It is very important to convince a business that this event will be covered by the media, and often we have cases when it is not reasonable to have media coverage [events when vulnerable groups are involved]. There is a problem in this regard as well; it is unlikely for a business to want to engage without having media coverage.”*

*[Respondent 9, female CSO representative, Tbilisi]*

Regarding potential ideas on how to increase the extent of CSO-business cooperation, several interviewees called for an increased role of the state, especially in order to encourage cooperation. The interviewees believe the state should provide businesses with benefits and incentives to make them more active in carrying out CSR programmes (although no interviewee mentioned coercing companies into performing CSR).

*“For instance, if we had to cooperate with businesses and to supply them [with volunteer work], due to the inflexibility of the taxation, [the business would not be able] to pay for [volunteers'] food and transportation. Therefore [businesses] are not interested.”*

*[Respondent 3, female CSO representative, Tbilisi]*

The interviewees also mentioned transparent and targeted expenditure destined for CSR activities. Ideally, large businesses should have distinct budget lines specifically for charity and CSR programmes:

*“It would be great if [businesses] have dedicated lines in their budgets for addressing the most acute social issues in the country.”*

*[Respondent 8, female CSO representative, the Regions]*

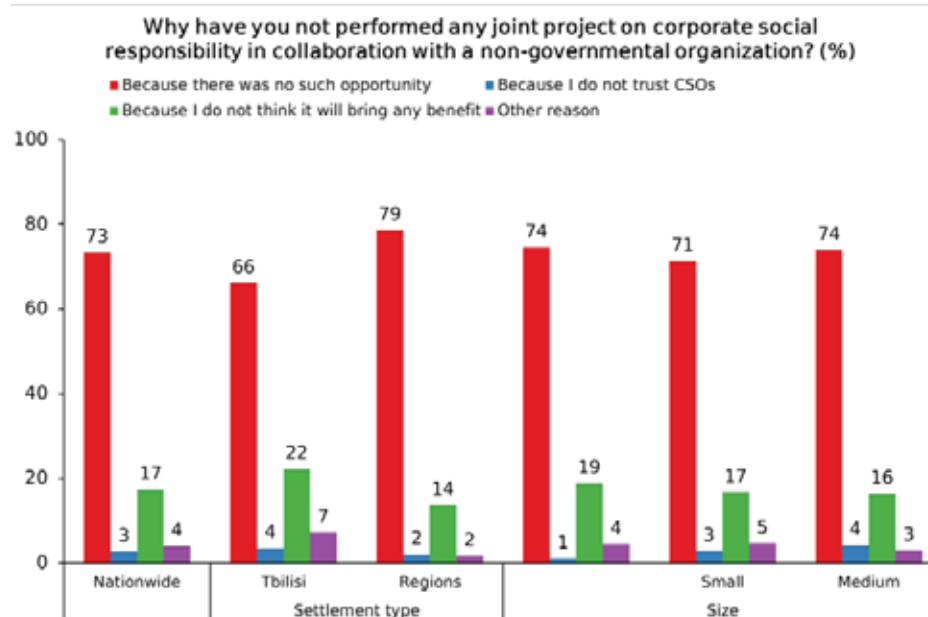


## 4.2 ATTITUDES OF BUSINESS COMPANIES TOWARD CIVIL SOCIETY ORGANIZATIONS

As mentioned above, there is little cooperation between businesses and civil society organizations and only 8% (46 total) of the surveyed businesses have ever cooperated with a CSO. Nevertheless, of those 46 companies that have cooperated with a CSO, 41 were mostly or wholly satisfied with their experiences.

Businesses reported a range of factors that prevented them from cooperating with CSOs (see Figure 4.1). The biggest factor by far, identified by three quarters of respondents, was simply that they have never had an opportunity to collaborate with a CSO. Remarkably, only a small number of businesses, approximately 3%, cited a lack of trust toward CSOs, while 17% saw no benefit from cooperating with a CSO.

**Figure 4.1**



**Note:** Options “Don’t know/Refuse to answer” are not displayed.

There is a significant difference between the views of companies working in Tbilisi and in the regions. As a reason for not cooperating with CSOs, businesses in the regions identified the lack of opportunities (79%) more often compared to those companies in Tbilisi (66%). While, the businesses registered in Tbilisi are more likely to mention that cooperation with CSOs brings additional benefits (22%) over the companies in the regions (14%).

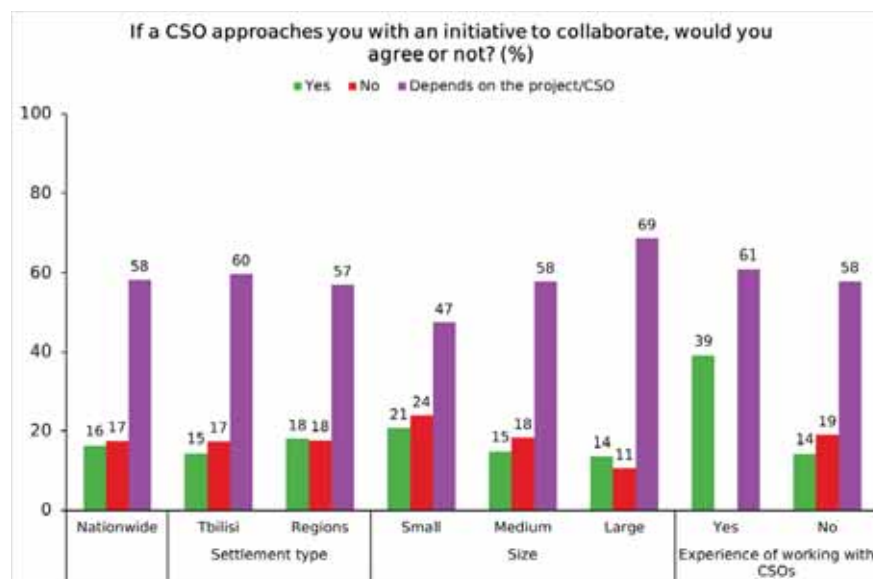
The interviews with business representatives reveal that problems with cooperating with civil society organizations are often related to the relatively low aptitudes within CSO project management: CSOs do not manage projects in a form acceptable to businesses. They state that when implementing CSR programmes, businesses are sometimes required to train CSOs in different forms of project reporting:



*“We have had cases when an organization won a tender, it was very good on paper and when it came to actual implementation, problems emerged. We had different demands, they did it differently and our colleague had to spend so much time, [...] sit with them so that we received what we wanted and not have a situation that I give you money and you do whatever you want. We do not work like this because we are a business and we require a different level of responsibility [...] That is, if I give you money, I assign you to do it exactly this way and if you do not do that, then I will have demands.”*

*[Respondent 2, female business representative, Tbilisi]*

**Figure 4.2**



**Note:** Options “Don’t know/Refuse to answer” are not displayed.

Despite their current low levels of cooperation, businesses appear to be open to the prospect of collaboration with CSOs: with 58% saying they would consider a CSO’s request to cooperate, and 16% saying they definitely would, while 17% state they definitely would not collaborate (Figure 4.2). While there are almost no differences related to their location, larger businesses are much more likely to consider a CSO’s request, with 69% open to cooperation compared to 47% of small businesses. Small businesses are more likely to rule out cooperation, with 21% suggesting they would not work with CSOs compared to 15% of medium or large businesses.

It is important to note that cooperation with CSOs appears to be self-reinforcing. Of the companies that have already cooperated with CSOs, 39% would do so again if requested, while the remaining 61% would consider the request. While none would rule out a collaborative initiative.

Overall, the attitude of companies toward civil society organizations is quite positive, and cooperation between the two sectors is, in its current state, evaluated positively. The lack of trust toward CSOs is only cited by a small number of companies, suggesting that the grounds are in place for more significant cooperation.



## CONCLUSION

Corporate Social Responsibility in Georgia presents a mixed picture. As a concept, the idea is widespread, with more than four-fifths (82%) of companies stating they understand the meaning of CSR. However, while awareness may be high, the practice is not: just over a quarter (27%) of companies reported actually engaging in any sort of CSR activity.

Throughout the current research, an impression has emerged of the sort of company most likely to be engaged in, aware of or positive towards CSR. These companies tend to be larger, based in Tbilisi, and to take a 'progressive' view towards their employees: offering overtime pay, maternity leave, health insurance, workplace safety and other training. In many cases, the correlation between these companies overlaps, meaning many of which that offer employee incentives or are members of business associations, are for example, also large and Tbilisi-based. For instance, 36% of Tbilisi companies are engaged in CSR compared to 19% of regional businesses.

More than two-thirds of Georgian businesses have a positive outlook considering the significant scope for CSR to develop more widely in Georgia. Sixty-eight percent believe that, alongside developing their business, a core function of business within society is to look after environmental and social needs. Furthermore, charitable giving is already relatively common among Georgian businesses. Almost half (44%) of the businesses are involved in charitable activities. Of those, 85% say a company's role is to be socially responsible as well as develop its business. Once again, this positive attitude is more common in bigger organizations, Tbilisi-based companies and those companies that care for their employees. Though, these findings still show that there is potential for the growth of CSR in Georgia.

The in-depth interviewees with business representatives involved in CSR shed some light on the factors that predict a company's CSR activities. One strong motivating factor was from the perspective of business owners or investors. In essence, if an owner or investor wanted a CSR programme, the company was likely to have one. This further applied to the direction CSR projects took. For example, one company was involved in CSR projects related to the arts, a program that emerged from having paintings by young artists on the walls of their first office. Thus, engaging with business owners and investors may be an effective way of furthering the spread of CSR activities throughout Georgia.

The interviewees also noted the potential public relations benefits of CSR. Indeed, many business representatives working on CSR are part of their company's public relations departments. However, it was also noted that companies sometimes fail to publicize their CSR efforts, and that CSR reports are seldom published. A more developed understanding of the PR benefits of CSR might further contribute to its spread in Georgia.

The study also looked at businesses' cooperation with civil society organizations. Notably, even among companies that do practice CSR, cooperation with civil society organizations is extremely rare. Of the 568 business companies surveyed, only 14 carried out a CSR project in cooperation with a CSO within the last decade, just slightly more than 2%. While 8% of

businesses implemented a CSR or non-CSR project together with a CSO. Once again, large companies and Tbilisi-based companies were more likely to have collaborated with a CSO.

Nevertheless, businesses appear to be open to the prospect of cooperation with CSOs, with 58% suggesting they would consider a CSO's request to cooperate and 16% saying they definitely would. Furthermore, cooperation with CSOs appears to be self-reinforcing. Of the companies that have already cooperated with CSOs, 39% would do so again if requested, while the remaining 61% would consider a request. None of these businesses would rule out an initiative to collaborate. Thus, cooperation between businesses and CSOs is likely to grow, however the interviewees identified several factors hindering potential cooperation. Specifically, business representatives named a lack of sufficient skills and professionalism on the part of CSOs, particularly regarding financial matters, as a major problem. Capacity building in this regard would likely facilitate future cooperation.



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