

PUBLIC PERCEPTIONS AND EXPECTATIONS TOWARD CORPORATE SOCIAL RESPONSIBILITY (CSR) IN GEORGIA



Tbilisi, 2007

FOREWORD

I am pleased to present the first study and analysis of the public expectations and perceptions of Corporate Social Responsibility in Georgia. The study was conducted in partnership between the UNDP project that promotes the UN Global Compact, and the Center for Strategic Research and Development of Georgia (CSRDG).

Corporate Social Responsibility is increasingly becoming an important tool for fostering sustainable human development worldwide. In addition to its moral value, the strength of the CSR concept is in multiple and long-term benefits CSR practices bring to all stakeholders and beneficiaries and primarily, to the companies that voluntarily choose to take into account economic, social and environmental aspects of their operations. Although this concept is new for Georgia, it has been gradually adopted by young but dynamic private sector that is open to global trends of innovation and eager to play a role in shaping a better future for Georgia.

The UN Global Compact – the largest worldwide CSR initiative championed by the UN – is the major avenue for cooperation between the UN and private sector in Georgia. The Global Compact Georgia Network currently unites over 30 CSR-sensitive companies, Civil Society Organizations and educational institutions.

This current Study is yet another expression of the UN support to developing responsible business practices in Georgia. It provides essential mapping of the local context for developing CSR in Georgia. It explains what average citizens think of the way in which the private sector can contribute to development, and what in particular they expect businesses to do to make this important contribution. In addition to being an interesting source for experts, the report includes practical and useful recommendations for practitioners – promoters of corporate responsibility, and company managers.

I hope that this study will stimulate a nationwide debate on the potential of a CSR approach for development in Georgia and the specific ways in which this concept and practice should be adapted to local realities for the benefit of the people of Georgia.

Robert D. Watkins

UN Resident Coordinator



Since it was first established, the Centre for Strategic Research and Development of Georgia has devoted considerable time and effort to research activities. The aim of CSRDG research is to study, analyze and highlight important processes on a country level. CSRDG experts continuously assess and study international experience and trends to facilitate the integration of innovative approaches in Georgia. One such trend is corporate social responsibility.

This issue has been one of the priorities of the CSRDG since 2004. In order to analyze international experience and current practice in Georgia, the CSRDG launched a new research project, “Social responsibility of business in Georgia – challenges and perspectives”. The research report submitted for your review represents a part of the afore-mentioned initiative. It must be mentioned that a second survey has also been carried out within the framework of the project; “Large business in Tbilisi and corporate social responsibility – attitudes and practices.” Social responsibility implies the participation and interaction of two parties; business companies (implementing parties) and society groups (beneficiaries). In this respect, the two research projects are complementary and help to analyze developmental trends of social responsibility, within a Georgian context, from different perspectives.

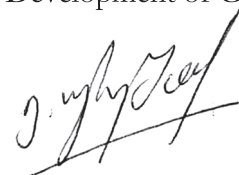
With the aim of promoting the development of corporate social responsibility in Georgia, the CSRDG cooperates effectively with the regional project of the UNDP; "Fostering Multi-stakeholder Partnerships to Achieve MDGs in the Western CIS and the Caucasus in the Framework of the Global Compact". This research report is one of the products of this cooperation. The results of the research will help to identify future avenues of development of social responsibility in Georgia and to raise public awareness of the importance of social responsibility for the country. This, in turn, will contribute to the establishment of favourable conditions for the development of social responsibility in Georgia.

Since contributing towards the development of social responsibility in business is one of our strategic priorities, the CSRDG will continue working on the issue and will deepen cooperation with socially-oriented business companies. “Social partnership” represents a significant component of social responsibility. The CSO sector has already gathered sound experience in the implementation, monitoring and evaluation of social programmes. Thus, cooperation between business organizations and civil society organizations is considered of great importance during the planning and implementation of such programmes. The partnership between CSOs and business will increase the effectiveness of social projects and contribute to an improvement in the quality of life in the country.

Eka Urushadze,

Executive Director

The Centre for Strategic Research and Development of Georgia



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OBJECTIVE OF THE STUDY AND THE PRACTICAL VALUE OF ITS RESULTS

The internalization of Corporate Social Responsibility (CSR) in company policies, management and practices is a new development in Central and Eastern European countries, including Georgia. There is no standard **recipe for socially responsible business practice – such practices vary by company and country. Consequently**, there is no single all-inclusive and universal definition for CSR. The EU definition of CSR is as follows:

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” - (Commission Green Paper 2001 “Promoting a European Framework for Corporate Social Responsibility”, COM(2001)366 Final)

Amongst other things, this definition helps to emphasize that:

- CSR covers social *and* environmental issues, in spite of the English term corporate *social* responsibility;
- CSR is not and should not be separate from business strategy and operations: it is about integrating social and environmental concerns into business strategy and operations;
- CSR is voluntary;
- An important aspect of CSR is how enterprises interact with their internal and external stakeholders (employees, customers, neighbours, non-governmental organizations, public authorities etc.)¹

A systemic, well-strategized and planned campaign to increase CSR awareness or to set up effective CSR management of a company, requires mapping local context through a properly designed and methodologically sound study. A non-governmental promoter of CSR and, equally, a CSR manager of a company, require at least basic information about the current social demands, perceptions, attitudes and expectations of the general public - that is, a wide spectrum of consumers - toward responsible business practice in the private sector.

Interestingly, the majority of recently-conducted CSR studies target the *supply end* of CSR, i.e. focus on the CEOs and managers of the companies when inquiring into the relevant factors of corporate awareness and behaviour. Similar studies conducted in Georgia have provided important information of practical value. However, a mapping study targeting the *receiving end* of CSR was required. The “Study of Public Perceptions and Expectations for Corporate Social Responsibility in Georgia”, conducted jointly by Georgia Global Compact Network, The Centre for Strategic Research and Development of Georgia (CSR DG) and ACT Research, aimed to bridge the existing gap and map the context of Georgian society with regard to CSR.

The overall objective of the study was to map perceptions and expectations at the *receiving end* of Responsible Business Practices/Corporate Social Responsibility in Georgia; that is, society at large. The study inquired into the issues and thematic areas that are essential for understanding the nature and structure of general public demand for Responsible Business Practices/Corporate Social Responsibility in the country, focusing on the Tbilisi population. Thus the study addressed such questions as:

- What role, if any, does an average citizen believe business should play in development?

¹ http://ec.europa.eu/enterprise/csr/index_en.htm

- What place does society assign to Responsible Business Practices within the expected role of business in development?
- Does society expect the private sector to be socially responsible?
- Does an ordinary citizen think that the policies and practices of the current private sector players are informed by a Social Responsibility approach?
- Why does an ordinary citizen expect a private company voluntarily to practice social responsibility in addition to complying with existing legal requirements?
- What are the particular expressions of Responsible Business Practice that are most demanded by the general public?
- Are companies doing enough in terms of CSR?
- What factors facilitate or impede the practice of CSR by companies?
- Through what media channels and sources of information do people learn about CSR practices in Georgia?
- Which media channels and sources of information are more effective and trustworthy compared to other media channels?
- Is there sufficient public information regarding the CSR practices of companies?
- What kind of information is required by the general public?

The Study Report below includes a presentation and analysis of the major findings of the study. Due to the overall objective and design of the study, the data generated may prove instrumental in understanding the character and structure of the demand for CSR on the part of the broader society, and thus facilitate effective planning and strategizing for CSR awareness-building in Georgia. In addition, the data produced by the study may serve as a general guide for CSR managers and planners in private sector companies.

An awareness of trends in public perceptions and attitudes toward CSR is essential to understanding the present local context as well as current trends in public opinion and public demand. Hopefully, the study of CSR in Georgia will continue and the data of the 2007 study serve as a baseline against which to compare similar data sets produced through further research.

I. SUMMARY

The objective of the study was to map the meaning and rating of CSR and its particular aspects, areas and practices in Georgia through an inquiry into the perceptions and expectations of average citizens, i.e. residents of Tbilisi.

The Study focused on Tbilisi residents as, in addition to meeting organizational and budget limitations, up to 80% of economic activity in the country is concentrated in Tbilisi, and the Tbilisi population constitutes 25% of the population of Georgia². Thus, regardless of perceived similarities between the population of Tbilisi and other areas of Georgia, the data and analysis can be generalized for Tbilisi only.

The methodological approach selected for the study required the identification of the role of CSR within the broader context of Corporate Giving, and the even broader *local discourse* for the role and place of the private sector in society, and in the process of development as perceived by general public.

² According to the data of the State Department of Statistics of Georgia as of January 1, 2006.

The majority of respondents (72%) ascribe to business an important or at least relatively important **role in development**. In current public perception, this role, in terms of both perceptions of reality and expectations, is almost as important as the role of Government. Tbilisi respondents assign to the private sector almost as important a role in development as the government, but consider CSR-related factors the least important in determining the actual success of companies in Georgia. Nevertheless, as many as 93% of the respondents are convinced that, in addition to the primary objective of maximizing profit, and while adhering to current legal requirements, **companies should assume a voluntary responsibility** for addressing the needs of society and take into account developmental implications in the process of decision making and ongoing business operations.

Interestingly, the study revealed that respondents clearly regard **CSR as the choice of “Big Businesses” rather than SMEs**, which are perceived as being too weak and incapable of responding to public demand to produce any tangible impact.

Among the issues that, in general terms, must determine the **reputation of companies** within broader society, Tbilisi inhabitants listed several factors related to Corporate Giving and Responsible Business practices: “Employing locals as opposed to importing an inexpensive workforce from abroad” (ranking 2); “Taking care of own employees/good corporate welfare” (ranking 4); “Charitable projects funded and implemented by companies/corporate philanthropy”(ranking 11); “Honesty toward shareholders and suppliers” (ranking 10); “Taking care of the environment” (ranking 13); “Using local production input/raw materials as opposed to imports”(ranking 5). However, when the respondents were asked to name existing companies which they considered “good,” the relative weight of the CSR-related factors as markers of reputation was much higher.

As for the **legitimate¹ areas for CSR** that were considered as a valid and necessary voluntary choice for big businesses, there were only three relevant areas identified: “supporting economic development”; “addressing social and socio-economic problems of society” and “protecting the environment”. Broader society didn’t see the direct relevance of such important areas of CSR (determined by the UN Global Compact, which is the largest worldwide CSR initiative) as Human Rights, Labour Rights, and Anti-corruption, for many interrelated reasons. Most importantly, addressing these problems is regarded as a compulsory legal obligation rather than a voluntary choice, and government is afforded a prerogative to ensure compliance.

The Expectation to perception gap² as to the **role of business in development** is considerably high; 93% of the respondents think that “CSR is a voluntary obligation that should be assumed by businesses and is a legitimate expectation on the part of society”, while only 53% consider that, in addition to maximizing profit, businesses should “Also take care of public needs and development (including protection of the environment)”. The Expectation gap for definite

³ The term Legitimacy in this context refers to *general approval* by the citizens of CSR as a “right” choice and “fair” course of action chosen by Private Sector players.

⁴ Expectation to Perception Gap refers to the difference between the strength, degree and amount (if applicable) of public expectation for certain developments to take place, and the assessment by the same group of people of the actual state of affairs in the relevant area.

action (“does/should care for” assessments) in the “supporting economic development” category for “big business” is considerable, at 64% (the difference between the expectation rating, at 91% and the perception rating at 27%). The gaps for “addressing social and socio-economic problems of society” and “Protecting the environment” are very high as well (65% and 75% respectively).

The areas of CSR that are most insisted upon were identified within a broader list, which reflects the local perception of Responsible Business Practices and Corporate Giving and is comprised of the spontaneous answers of the respondents. The factors most frequently referred to include: “Addressing the needs of economically vulnerable groups” (54%); “Providing employment to the local communities” (54%); and “Corporate charity” (41%).

When we consider the **preferred forms of Corporate Giving** – i.e. rating of CSR vs. Charity - the majority of Tbilisi respondents (78%) prefer CSR project activities, while 21% prefer immediate and specifically targeted corporate charities. While it is true that the respondents clearly prefer a CSR approach, at the same time they suggest that “corporate giving projects that provide long-term sustainable results” (i.e. CSR) are not always as swift and effective as charity, which is the form that is more common and familiar to the average citizen. While, importantly, acknowledging the advantages of CSR and largely preferring it to simple Charity, still the respondents see a combination of the two as an optimal company policy approach.

With regard to the **current state of affairs with regard to Corporate Giving in Georgia**, only 4% of the respondents believe that the Corporate Giving activities currently implemented by Georgia’s private sector mostly include CSR projects. According to 32% of the respondents, companies are by and large engaged with Charity and Philanthropy; 12% are convinced that companies practice both forms of Corporate Giving. Notably, the proportion of the most sceptical respondents who tend to think that businesses are not really implementing either of the two is an astonishing 45%. In denying the private sector any credit for Corporate Charity, this figure suggests that, since current Corporate Charities are not impersonal, this kind of corporate giving shall not be considered charity. In more particular terms, this sceptical argument implies that, except for rare cases, beneficiaries gain access to charity through their social networks and peer or family contacts and, in most cases, company managers take decisions according to the direct or indirect “weight” of the applicant within his/her (manager’s) social network.

A remarkable 45 -75% of the respondents could not give the names of companies that practice particular areas of CSR, while the **awareness** of Corporate Charity and philanthropy is much higher. At the same time, the proportion of the respondents who have heard of particular CSR activities but cannot give the names of the companies involved is also significantly high.

The majority of **respondents evidently recall charitable rather than CSR activities** of current corporate practice. This pattern suggests that charity and philanthropy as forms of Corporate Giving are more common compared to CSR and that the awareness of any CSR practiced by companies is low.

The **gap between expectations and perceptions with regard to Corporate Giving** is significant; 99% of the respondents believe that companies should voluntarily undertake both forms of Corporate Giving, while only 12% think that companies are actually doing so, and even

less, 4%, suggest that companies mostly implement CSR projects. A simple comparison reveals that the companies are implementing far fewer CSR projects and activities than expected by society, and/or that public awareness of actually implemented CSR projects is low.

An inquiry into the particular structure of partnership between stakeholders in the process of implementing CSR projects revealed the **Models of Corporate Giving** preferred by the Tbilisi population. The Government, CSOs, other companies, and International Organizations were identified as the stakeholders/potential partners of a CSR-sensitive company looking for optimal conditions to implement a CSR project. According to respondents, it would be more efficient and reliable for a company to use its own human and financial resources when implementing a CSR project. This reflects a certain scepticism regarding partnership between several stakeholders, whose involvement involves a perceived risk of delaying decisions and increasing the costs of a project. This prevailing opinion may also reflect the attitude toward the role and performance of the government and CSOs in possible or actual projects that fit the definition of CSR.

Interestingly, despite the fact that the CSR concept is new to Georgian society and no significant awareness campaign has been implemented, the study reveals an intuitive awareness and appreciation of the entire argument for **why a company must be motivated to practice CSR**. In the first instance, respondents identify such most tangible and pragmatic benefits as consumer loyalty and improved public relations, followed by: "...Because business is using public resources and has to voluntarily give back to the society/community"; "Because government has limited resources to address all public needs"; "Taking care of employees will increase their loyalty"; and "Better relations with the government".

Regarding **the stimuli for CSR**, a majority of the responses emphasize the decisive role of the government in creating such stimuli: "The government should introduce tax incentives for companies that implement CSR" (81%); "The government should create a fund to finance social projects through corporate donations" (60%); "The government should oblige business to undertake CSR activities" (51%). The demography of the responses is worth special attention. A remarkable 89% of the individuals employed in the public sector, and 85% of those respondents who work in the private sector, refer to tax incentives as the major stimuli for CSR. The lowest occurrence of this answer was observed from the employees within the NGO sector. The frequency of answers that suggest government action which in fact challenges the voluntary character of CSR ("The government should oblige business to undertake CSR activities" and "The government should create a fund to finance social business through corporate donations") is inversely proportional to the strength of the educational background of the respondents.

Awareness of the actual stimulus for CSR, which takes the form of tax exemption, proved to be very low. Only 20% of the respondents had heard about the "tax incentives for charity"⁵. This figure can be compared to awareness levels of other tax issues unrelated to CSR; for example, 30% for the recent reduction of income tax, and 26% awareness of tax exemption for individual entrepreneurs.

As for the perception of **current impediments to CSR**, the top-down rating of the causes named by the respondents includes: the selfishness of companies and a lack of initiative to internalize responsible business practices; absence of particular incentives by the government for CSR activities; problems in business-government relations; "practicing CSR is not a natural

⁵ Georgian legislation provides an 8% profit tax exemption for the amount provided by companies to charitable organizations.

function for businesses”; “CSR may have a counterproductive effect, that is, to inflate the expectations of and demands on CSR-friendly companies, which may put them in a difficult position”; and the lack of funds.

Society is not sufficiently informed about companies and their responsible business practices, while **demand for information regarding Corporate Giving exceeds the current supply**. Respondents expect significantly more information to be available on particular aspects of Corporate Giving in general and CSR in particular. A remarkable 45 -75% of the respondents were unable to name companies that practice particular areas of CSR, while the awareness of Corporate Charity and philanthropy is much higher. It can be surmised that companies are unable satisfactorily to inform the public of CSR activities, which indicates the need to introduce proper Social Reporting and effective dissemination of such reports through various media channels and sources of information.

The difference between the ranking of the actual **sources and media of information** on the private sector in terms of intensity of information flow and effective coverage, and the ranking by the perceived trustworthiness of the sources and media is drastic. While the bulk of information on the private sector is delivered via TV channels, followed by printed media and “word of mouth” (one’s peer contacts and social network) etc., the respondents trust “word of mouth” sources more than any mass media. Surprisingly, despite relatively low access to the Internet and the small amount of information available (11%), the second highest rating was given to the Internet as a perceived more independent, impartial and complete source than any other mass media. As for TV, the strongest media with 95% coverage rating, it was rated only third from the top, together with printed media (32% coverage rating) and radio (12% coverage rating).

Almost one half of the respondents (46%) consider the **content and amount of information on the private sector** sufficient. However, more than half demand more information (“current information is more or less sufficient” – 22%; “current information is not sufficient” – 24%; and “current information is not sufficient at all” – 7%). Importantly, the respondents strongly suggested that secrecy and lack of corporate transparency and disclosure on the part of the companies harms public confidence in the companies and that, since there are no watchdog institutions and the information placed in the media is mostly positive, there is a broad sense of lack of information that causes society to be inherently suspicious of companies.

The respondents were questioned regarding the **required information on businesses**. The information gathered from the spontaneous answers is as follows: 40% of the population demanded more information on the quality of products and services, that is, *how* the products and services are produced; 20% on the history of the companies to ascertain whether the means by a company becomes successful meets their (respondents) perceptions of fair play; 15% on whether the company in focus is involved in Corporate Giving; 13% on the actual role in and contribution of the company to the development of the country and society at large; 10% on company practice with regard to employees, and only 6% on the environmental impact that results from company operations. When ranking given answers, there was a high frequency of such responses as involvement in Corporate Giving; the contribution of the company to the development of the country and society; and the origin of production inputs (local or foreign) (67%, 65% and 60% respectively).

According to the data generated by the study, there is a clear expectation and demand for more information regarding CSR practices of companies as a part of **Social Reporting or any form of Reporting on Non-financial Activities**. 66% believe that it is necessary that companies

openly report their CSR activities to society at large, while 15% of the population see no need for such information.

As for the **sources and media of information on CSR**, 90% would prefer television as the major medium of information, while 43% would mostly rely on printed media. Remarkably, despite the fact that the publication of annual social reports has yet to be introduced (currently practiced by a handful of companies), 22% expect to learn about company CSR from annual reports printed and placed on the Internet. 21% expect companies to place the relevant information on their websites, 17% expect companies to include information in corporate advertisement materials (booklets, brochures), 14% expects the information be somehow attached to company products and services, and only 5% would prefer independent audit reports as the best source of information.

II. METHODOLOGY OF THE STUDY

2.1 General Methodological Approach – Local-context-specificity vs. Standard Checklists

The overall objective of the CSR mapping study was to discover what local society knows about CSR, how it prioritizes the areas of CSR, how it perceives the current state of affairs and how its needs and expectations are to be met. Meeting these objectives required identifying the perceived place of CSR within the broader context of Corporate Giving and even broader *local discourse* for the role and place of the private sector in Georgian society and the process of its development.

The subject of the study (Responsible Business Practices/Corporate Social Responsibility) as it is known in western corporate and developmental professional discourses, is new for Georgian society. In the local context of a country like Georgia, categories of CSR that are common in western professional discourse are hardly recognizable and often locally irrelevant; this was once more confirmed by the current study. At the same time, it is true that an average Georgian is proud of the traditions of philanthropy and the sense of responsibility of elites within broader society that engenders particular forms of social solidarity – the patterns that are perceived by many Georgians as setting certain standards for their way of life. Nevertheless, CSR as a form of Corporate Giving, as distinct from pure charity and philanthropy, is a product of a particular place and time. In particular, CSR stems from the present day post-industrial discourse that has been formed by a combination of a range of factors, including: current developmental discourse in which the role of the private sector in development is emphasized; particular practices and know-how developed relatively recently in western societies by enlightened, yet pragmatic, business elites; certain patterns of consumer awareness and consumer behaviour; as well as the activities of pressure groups that often monitor and modify the actions of large corporations. These formative factors are either new or non-existent in the current local context of Georgia, where a dynamically developing private sector is still young, patterns of consumer awareness and consumer behaviour are hardly visible, and consumer pressure groups are not in place.

Sensitivity toward the factors that determine awareness, perceptions and expectations, which in turn constitute the *locality* - the character of the discourse that is unique to the particular time and place – is a necessary precondition for mapping the issue area in a way that provides for practical guidelines for action. A standard universal approach, which assumes a general similarity of the factors that form perceptions and expectations elsewhere and suggests the simple copying of methodologies and questionnaires, not only lacks the benefits of a context-specific approach but often distorts the picture, and thus prevents useful conclusions from being drawn.

For this reason, as an optimal solution for extracting methodologically correct information qualitatively adequate for analysis, it was decided to tailor the study to the particular local context of Georgia as of 2007; that is, to inquire into the meanings of CSR - as well as the rankings of its local legitimacy and the degree of its importance in the local agenda - within the local *system of meanings* (to borrow an anthropological term), rather than short-sightedly and misleadingly assume that these meanings are similar irrespective of place and time.

The advantages of this approach allowed the mapping of CSR perceptions and expectations of local society - where the endeavour of building CSR awareness is in its infancy - by *mapping the local CSR discourse* as it is. This is as opposed to a simplistic, technocratic, a-contextual and ideologically presupposed inquiry into awareness of the particular “imported” categorizations and logical constructs of what is essentially a “foreign” discourse.

2.2 Geographical Focus

80 % of the economic activity of the country is concentrated in the capital city of Tbilisi, where 25% of Georgia’s population lives. Also, the Study was the first of its kind ever conducted in Georgia, and serves as a mould-breaking baseline study. Thus, in order to ensure the relatively homogenous, yet diverse and representative character of the target group and to meet certain organizational and budget constraints, it was decided to focus the baseline mapping study on the population of Tbilisi.

2.3 Method and Instrument

Given the character of the research objective, a standard combination of qualitative (public opinion survey) and quantitative (focus group discussion) methods was selected.

Focus Group discussions

Detailed information was retrieved through two focus group discussions. Moderated group discussions provided a forum for open and detailed expression of individual attitudes, expression of individual opinions on the attitudes and assessments expressed, and aggregation of the expressed ideas.

Public Opinion Survey

The questionnaire and a guide for interviewers comprised a standard set of instruments applied in the research.

2.4 Target Group Selection – Focus Groups

Each of the two Focus Groups included 10 individuals of a mixed socio-economic profile but selected upon *Opinion Former (OF)* criteria⁶. To ensure the representative nature of each group, and at the same time to differentiate between the attitudes and expectations of individuals from different social groups, additional criteria were applied. These included *household income* and *type of employment*.

Focus Group 1 (FG 1) included low household income individuals (household income below USD 500/month) and the unemployed, while FG 2 contained individuals whose household income exceeded the equivalent of USD 500. Importantly, to ensure the representative character of the groups, criteria also included a certain representation of individuals employed in the private, public and NGO sectors.

⁶ Individuals who had been engaged in at least two activities out of the list of 12 within the previous 12 months were selected.

The duration of each focus group discussion was 2,5 hours. Discussions were recorded for analysis. A moderator was provided with written instruction and content-specific training prior to holding Focus Group Discussions.

The analysis was produced based on video and audio records as well as written transcripts of the Focus Group Discussions.

2.5 Public Opinion Survey - Methodology, Technique and Instrument

The descriptive survey enabled the retrieval of quantitative data on selected indicators for statistical grouping, comparison and analysis (variables, parameters, correlations etc.).

Technique and Instrument

The standard technique of face-to-face interviews based on a standard questionnaire was applied. The majority of questions included in the questionnaire were *closed questions*. *Open questions* were coded separately. Each interview (44 questions in total) lasted an average of 45-50 minutes.

Pre-test (Pilot Survey)

In order to fine-tune the questionnaire and interview technique prior to conducting the full-scale survey, a Pilot Survey of 15 interviews was undertaken by four professional interviewers specifically trained in the technique of conducting pilot surveys. After each interview a special form for comments and observations was completed by the interviewers. The final version of the survey questionnaire was prepared based on these comments.

Target Group Selection

The survey targeted 700 respondents over 18 years of age. Given the objectives of the study, representative sampling⁷ was considered the optimal choice. The research design applied provides for a 95% confidence level for 50% variable. Maximum sampling error is ± 4.0 , and the design allows the respondents to be categorised by age and gender profiles.

To ensure credibility of analysis and conclusions, the data retrieved through field research was statistically weighted according to the statistical profile of the Tbilisi population (e.g. distribution by age and gender)

In addition, the respondents were selected randomly through a four step technique:

Step 1: The number of the respondents was allocated to each of the 5 administrative districts of Tbilisi according to the relevant share of the population over 18 years of age in the district.

Step 2: Every district was divided into clusters - square areas of similar size, and the number of interviews determined for the particular district was evenly allocated to each cluster. Subsequently, the number of interviews was evenly distributed among the clusters.

Step 3: In each selected cluster, the three most distant points were selected as the starting points for the interviewers. Every first interview was held in the residential building/house closest to the starting point. Every next point was selected according to a standard predetermined step size – e.g. every fifth private house, every third apartment building, three families in each entry, the first, middle and last floors in every third entry into a multi-story apartment building etc.

⁷ Representativeness – the degree to which a sample of the study represents the characteristics of the population as a whole. In case of this study, group composition reflected the socio-economic and demographic parameters of the Tbilisi population.

Step 4: Within every household approached, the respondent was selected according to “the last birth date” principle.

“Call back” procedure

According to the instruction, if the respondent was unavailable, the interviewer would make three repeated attempts to contact her/him. In the case of failure to reach the respondent or refusal on her/his part to be interviewed, the interview was filed as “cancelled” and the respondent substituted by a new one selected according to the standard selection criteria outlined above.

Quality Control of the Field Research

Several procedures were applied to ensure quality control. The Monitoring Group verified 20-25% of the interviews conducted via telephone and site visits. All completed questionnaires were checked before entry into the statistical database. The outcome of the quality control activities is documented in the technical report of the study.

Research Data Processing

The data retrieved through the Survey was processed with professional SPSS 15.0 statistical software. The report of the survey was prepared based on the statistical analysis.

III. THE ROLE AND PLACE OF BUSINESS IN SOCIETY – PERCEPTIONS AND EXPECTATIONS

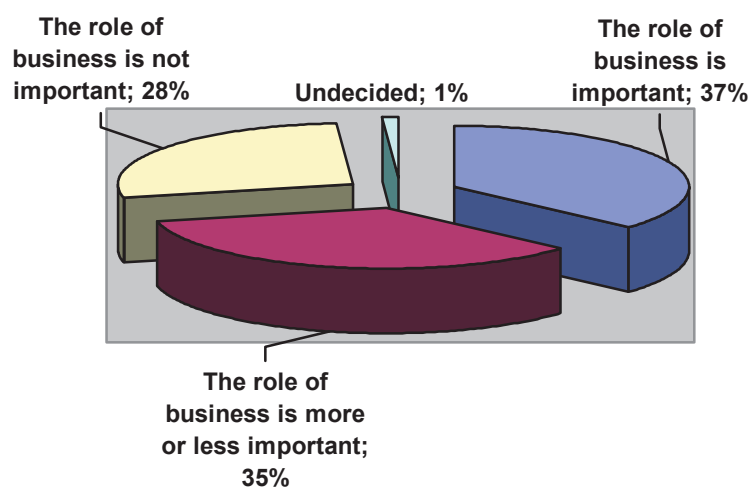
Awareness of the current attitude and expectations of the general public toward business is essential in understanding the local context for CSR. As in many post communist countries, the private sector is relatively young in Georgia. The modes of its interaction with government institutions, NGOs and society at large evolved dynamically throughout the period of dramatic socio-political and economic transformations of recent Georgian history, which drove the private sector into the shadow economy and back again, as well as through different modalities of business-government relations and various forms of social solidarity. There is almost no information available on public attitudes toward business, an issue that has not been studied. Public attitudes toward business have dynamically evolved through social, economic and political turmoil.

The current study addressed the issue through an inquiry into the publicly perceived place of the private sector in society (i.e. its position with regard to institutions and society) as an entry point into mapping attitudes and expectations of the society toward businesses.

3.1 The Role of the Private Sector in Development

The inquiry into the role of business in development; that is, in the betterment of the human condition, revealed that the pool of respondents fell into three more or less equal parts. 37% of the population believe that business is definitely playing an important role in the development and progress of society; for 35%, this role is largely/more or less important, while a significant number, 28%, do not consider this role important at all. (See *Chart 1*. below)

Chart 1.: Perception of the Role of Business in Development.



3.2 Positioning of the Private Sector Relative to Society and Institutions

Overall public attitude toward the private sector provides a broad perspective of the local context within which the perceptions and expectations toward Responsible Business Practices/CSR are being formed. This interesting issue was addressed in both Focus Group Discussions and the Public Opinion Survey. Participants of the Focus Group Discussions identified four major institutional players: the government, the private sector, civil society and international organizations.

Focus Group discussions inquired into the position of the private sector within the existing institutional framework and, importantly, the *proximity*⁸ of the private sector to the core of society compared with other institutions (as perceived by the respondents). The participants of the discussion were invited to depict the positions of the institutional sectors (government, private sector, civil society organizations and international organizations) with regard to the core of society and public interest by placing the labels of institutional sectors onto a “dartboard”. In this society-centric model, the core of society, i.e. general public interest - was placed in the centre of the circle.

Positioning of the Private Sector and its proximity to the core of society

Focus group discussions based on the “dartboard” projection technique revealed that the Private Sector was considered the “closest” to the core society followed consecutively by Government, Civil Society Organizations and International Organizations.

What determined the ranking of the institutional sectors as suggested by the respondents? The private sector was given the closest position to the core of society firstly because of the frequency of immediate contact of practically every citizen with multiple private sector players; citizens as consumers buy products and services on a daily basis.

⁸ In this case *proximity* shall be understood as perception and expectation toward an institutional sector to meet/satisfy/take into consideration broad public interest and demand.

“Everything we buy is made by companies, and we do it every single day.” (FG 1.: Woman. Age: 41. Unemployed)

“Business is the closest to the masses [of citizens] because, in one way or another, everybody with no exception has daily contact with it. The same is not true for the government, NGOs and moreover International Organizations” (F.G. 2: man. Age 32. Employed in NGO Sector)

Secondly, private business was considered the closest ally of the core of society inasmuch as the respondents consider the private sector a guarantor of economic wealth and stability for every citizen with no exception.

“Whether one likes it or not, business is the driving force ... the major structural item of capitalist economy, initiative and social action. Isn't that right?” (FG 1. Man. Age45. Unemployed)

The reflections of the discussion participants, and the pace of discussion, revealed a strong pro-market attitude within Georgian society, which seems to remain the mainstream attitude despite socio-economic problems.

Government and society

Quite expectedly, the major rationale for the proximity of government to society, as perceived by the respondents, is related to the regulatory function of government institutions, taxation and the provision of municipal services. Nevertheless, interestingly, a significant part of the respondents from both Focus Groups consistently presented the government and, subsequently, the interaction of a regular citizen with the government, as a “necessary evil” – an involuntary choice that has no feasible alternative. At the same time, the same portion of the respondents pointed out that they feel closer to the private sector than the government *per se*.

“Well, yes, we all pay taxes... also, legislation and gas supply [is taken care of by state]... – this is by and large what links us with the government” (F. G. 1. Man. Age 36. Unemployed)

“It is not about how frequent are one's contacts with government. You are in contact with the government when you turn on the light at home or enjoy the street lights, for instance, but [frequency of] contact is one thing – how close it is to you is something different” (F.G. 2. Man. Age 36. Employed in the private sector.)

“I'd rather deal with a business company and have a sufficient income so that I don't have to deal with the state at all. It is good when people stay away from the government and politics. In the West, ordinary people have little interest in government and politics and little contact with government.” (F.G. 2. Man. Age: 36. Employed in private sector.)

CSOs and International organizations ranked after the private sector and government. According to the respondents, these two institutional sectors have relatively little direct contact with society. The respondents indicated little public awareness of the goals and activities of International Organizations, while at the same time the help they provide to the government was acknowledged. Possible conflict of national and international bureaucratic interest was another issue raised with regard to International Organizations in Georgia.

Somewhat conflicting assessments were given to the CSO sector. On the one hand, respondents expressed trust toward CSOs as institutions that are, by their nature, impartial and “close to the community”. Nevertheless, the lack of transparency in funding and the narrow self-interest that drives CSOs away from society, combined with a lack of direct engagement with society, were identified as the factors that affect public trust toward CSOs.

In summary, it can be assumed that society perceives the private sector and the government to be the institutions that are “closer” to public interest within the selected set of institutional sectors. The attitude toward business as a guarantor of economic stability and growth is clearly positive. The data from the Public Opinion Survey section of the research suggest that the responsibilities and expectations that society assigns to the private sector are as significant as those assigned to the government. Nevertheless, respondents do not consider the private sector to be meeting broad public demand and expectations (see more on this in sections 4.5 and 4.6 below).

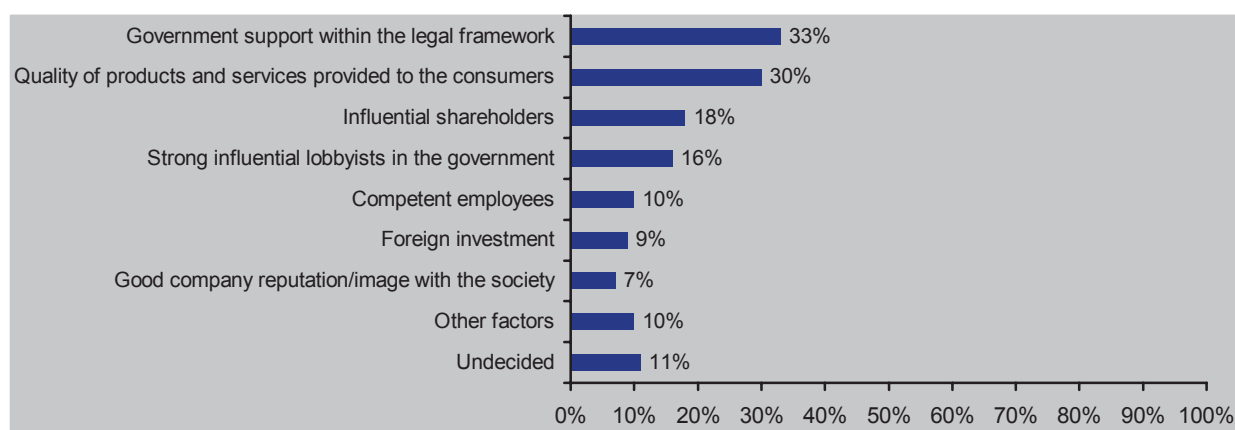
VI. THE ROLE OF BUSINESS IN DEVELOPMENT AND THE LOCAL LEGITIMACY OF CSR AS A VOLUNTARY CHOICE FOR BUSINESSES IN GEORGIA

Mapping general, conceptual level perceptions as to *what role the private sector should play in development*; and *whether and to what extent CSR is a legitimate choice for business* and, correspondingly, a legitimate expectation of society toward business, is essential for understanding the structure of public demand for Responsible Business Practices/CSR. Quite understandably, the perceptions and expectations of society for the private sector to practice CSR is part of a broader and more general discourse as to the role businesses in development at large. Therefore, to understand the structure of the mainstream argument of society, it was necessary to inquire both as to what society thinks businesses should be doing and can achieve in facilitating development of the country and society, and of what businesses are actually doing and expected to do in a more narrow area of CSR as the subset of their role in development. The study revealed interesting findings in this regard.

4.1. Factors that Determine the Success of a Private Business Enterprise – Public Perceptions

Perceived factors of success of private enterprises were investigated by the study in order to determine the ranking of CSR related factors within the whole set of relevant issues. Importantly, the listing of factors was identified and formulated by the Focus Group Discussion participants and respondents of the Survey, whose spontaneous answers to an open question were recorded. The factors identified by respondents included: “government support within the legal framework”; “the quality of products and services provided to the consumers”; “influential shareholders”; “strong influential lobbyists in the government”; “competent employees”; “foreign investment”; and “good company reputation/image within society”. Chart 2 below depicts the percentage ranking of the factors of success.

Chart 2. The Factors that determine the success of a private business enterprise⁹ (% , spontaneous answers¹⁰)



Note: “Other factors” include: the economic situation in the country; reduction of corruption; change in government in 2003; access to export markets; an independent judicial system; reliable partners; advertisement; political stability; conducive business legislation; good management and financial strength.

For spontaneous answers, “government support within the legal framework” was considered the most important factor. Two Responsible Business Practices/CSR related factors: “quality of products and services provided to the consumers” and “good company reputation/image with the society” rank number 2 (30%) and number 7 (7%) respectively.

As for rankings, “quality of products and services provided to the consumers” ranked above all other factors, followed by “government support within the legal framework”. While “good company reputation/image with the society” was ranked number 7 (See Table 1. below)

Table 1.: The Factors that determine success of a private business enterprise (ranking)

1	Quality of products and services provided to the consumers
2	Government support within the legal framework
3	Influential shareholders
4	Strong influential lobbyists in the government
5	Competent employees
6	Foreign investment
7	Good company reputation/image within the society

⁹ The data refers to the entire sample size (N=700)

¹⁰ The answers that address open questions without any help by an interviewer or moderator – i.e. optional answers, or direct or indirect guidance

¹² The sum of the percentage rates for the spontaneous answers is not equal to 100%, as the respondents were allowed to provide multiple answers.

Respondents assigned top priority to “government support within the legal framework” as well as “quality of products and services provided to the consumers”. According to the respondents, at this stage of economic development, growth of the private sector and, accordingly, the economy, strongly depends on government support in removing impediments and creating a favourable business environment. The top ranking of quality of products and services provided by a relatively young private sector operating in a strongly deregulated environment (e.g. no food safety regulatory body, low environmental requirements, and employer-oriented labour legislation) is quite understandable. Interestingly, respondents (i.e. consumers) considered “good company reputation/image within the society” to be overpowered by such factors as “influential shareholders”; “strong influential lobbyists in the government”; “competent employees”; and “foreign investment”. This can be explained by an interplay of such perceptions and trends as: still low (yet increasing) trust toward impersonal institutions and the perception of a thin line between political power and business; a high relative weight of government contracts and privatization in overall economic transactions; a decreasing, yet considerable deficit in professional resources; relatively low access to capital and perceived advantages of foreign investment compared to local capital; and, finally, low consumer awareness and consumer solidarity based on certain forms of consumer awareness.

A comparison of rankings for “quality of products and services provided to the consumers” (rated no 1, 33%) and “competent employees” (ranked no 5, 10%) is interesting in itself, as it indicates the relatively low degree to which the respondents perceive the factor of competence of the employees affecting the quality of products and services.

In order to avoid arriving at “guided” feedback of the respondents, the research technique (open ended questions) required listing, categorization and phrasing relevant factors by the respondents themselves. The purpose of this exercise was to inquire whether the factors directly relevant to CSR discourse would be identified, i.e. whether CSR categories are a part of the discourse for local society. That the categorization put forth by the respondents often didn’t include direct references to the aspects and forms of Responsible Business Practices/CSR is an important finding in itself, inasmuch that it may suggest that CSR as it is known in societies where consumer awareness, consumer pressure groups and watchdog institutions have been a part of social reality for quite some time, and purely in pragmatic terms of maximizing profit, CSR has been an integral part of corporate policy, management and public relations. Since none of these determining factors are in place in Georgia, it would have been *naïve* to expect an average Georgian to identify CSR in terms of Western European or North American CSR discourse.

Yet, given the specifics of the current state of affairs within the private sector in Georgia, two factors identified – “quality of products and services provided to the consumers” and “good company reputation/image within the society”- are indirectly linked to the philosophy of Corporate Responsibility. “Quality of products and services provided to the consumers” is a broad definition, and relevant to CSR mapping to the extent that private sector players operating in the current deregulated business environment have relatively low standards for product and service quality requirements. Thus, it can be surmised that the provision of safe quality products and services is often perceived as a matter of the moral choice of “enlightened” business leaders even at the cost of a decrease in profits. Whereas “Good company reputation/image within the society” can be directly linked to an ability to meet public demand and expectations for different

forms of social solidarity, responding to the needs of local communities, and, as a minimum, a “do no harm” approach toward environmental protection.

Due to their vague links to the essential aspects of CSR, the findings outlined in this section must be seen as complementary to the major findings on the formative factors of public attitude toward the private sector, provided in section 4.2 below.

4.2 What Factors Form Current Public Attitude toward the Private Sector?

Spontaneous answers to the open questions of the survey questionnaire revealed the set of factors that determine public attitude toward companies, and, subsequently, the relative weight of each factor. The set of relevant factors identified by the respondents are given here as direct quotes: “quality of products and services provided to the consumers”; “employing locals as opposed to importing an inexpensive workforce from abroad”; “good publicity and public relations”; “competence/professionalism of the company employees/managers”; “taking care of own employees/good corporate welfare”; “using local production inputs/raw materials as opposed to imports”; “charitable projects funded and implemented by companies/corporate philanthropy”; “personal reputation of a CEO as an honest and decent member of the community”; “honesty toward shareholders and suppliers”; “corporate transparency”; “paying all taxes”; “the company is based on foreign investment/or is a subsidiary of a foreign company”; “the company applies new technologies and transfers advanced technological know-how to Georgia”; and “taking care of the environment”.

Table 2 represents the percentage and rankings of the above factors in the survey.

Table 2.: The factors that determine the reputation of a company (spontaneous listing¹² and ranking)

Factor	Spontaneous Answers	Ranking
<i>"Quality of products and services provided to the consumers"</i>	62%	1
<i>"Employing locals as opposed to importing an inexpensive workforce from abroad"</i>	26%	2
<i>Good publicity and public relations"</i>	19%	7
<i>"Competence/professionalism of the company employees/managers"</i>	14%	3
<i>"Taking care of own employees/good corporate welfare"</i>	10%	4
<i>"Charitable projects funded and implemented by companies/corporate philanthropy"</i>	9%	11
<i>"Using local production inputs/raw materials as opposed to imports"</i>	9%	5
<i>"Personal reputation of a CEO as an honest and decent member of community"</i>	8%	8
<i>"Honesty toward shareholders and suppliers"</i>	6%	10
<i>"Corporate transparency"</i>	5%	9
<i>"Paying all taxes"</i>	4%	6
<i>"Company is based on foreign investment/ or is a subsidiary of a foreign company"</i>	4%	14
<i>"Company applies new technologies and transfers advanced technological know-how to Georgia"</i>	4%	12
<i>"Taking care of the environment"</i>	2%	13
<i>Undecided</i>	11%	
<i>Other Factors¹³</i>	2%	

In addition to spontaneous answers to open-ended questions in the Survey and the ranking of factors from the suggested list, focus group participants were asked to list parameters for a virtual "ideal company", as well as to provide a subjective perspective through identifying the most respected companies and explaining why she/he respects the company named.

¹³ Other Factors referred to spontaneously by the respondents include: "low, acceptable prices for products and services"; "relevance of price to the quality of products and services"; "financial strength of the company"; and "good relations with the government".

“Quality of products and services provided to the consumers”

In terms of both the frequency of responses and ranking, *“Quality of products and services provided to the consumers”* was considered the most important factor determining company reputation. 62% of the respondents referred to this parameter and the majority ranked it number 1 in the list.

“An ideal company should respond to consumer demand and meet public interest whether it is required by law or not.” (F.G. 2. Woman. Age 32. Employed in Public Sector)

“Employing locals as opposed to importing an inexpensive workforce from abroad”

Providing employment to local communities was ranked number 2 in the factors determining company reputation, and amounted to 26% of the frequency of response. The feedback of the focus group participants indicates frustration with unemployment and the tendency of hiring foreigners for positions that could have been filled by locals.

“The way it normally happens is that a foreigner who is no more qualified than a local, is given a 5,000 Euro job – a Georgian is paid 500 Georgian Lari for the same work and has to be thankful, timid and take all the injustice with gratitude and a smile” (F.G. 2. Woman. Age 32. Employed by a CSO)

“Good publicity and public relations”/ “taking into account consumer opinion”

Publicity and public relations was named by 19% of the respondents but, in terms of ranking, it finished in seventh place out of fourteen. Noticeably, this factor was not identified in the qualitative part of the study as an attribute of a virtual “ideal” company. In spontaneously provided feedback on the factors that make a “good company”, 10% of the respondents identified “taking into account consumer opinion”. In terms of percentage shares this was the fifth most important factor in the list.

“Competence/professionalism of the company employees/managers”

The professional level of the employees was ranked number three (10% of the respondents) and was identified as an attribute of an “ideal company”. Quite expectedly, the quality of managers and customer relations specialists was given particular importance; it was emphasized that competent managers are more likely to take into consideration public interest, and respondents identified a link between the competence of management and employees, and good corporate welfare.

“Taking care of own employees/good corporate welfare”

This factor was ranked as the fourth most important. The data of the study suggests that social responsibility toward employees is an issue given high importance by the respondents and, subsequently, was also ranked high (13%) in the set of factors that make an “ideal company” (see Table 3. below).

“Using local production inputs/raw materials as opposed to imports”

“Using local production inputs”, to quote the respondents, or building local supply chains in more professional terminology, ranks after employee-friendly policies and practices (ranking fifth; 9%). In addition to the moral value of supporting particular communities through choosing

local production inputs, the respondents generally emphasized the long-term gains that may often come as a reward for this voluntary choice.

“Charitable projects funded and implemented by companies/corporate philanthropy”

It must be emphasized that the definition of *“Charitable projects funded and implemented by companies/corporate philanthropy”* in the local discourse shared by the respondents goes beyond the division into philanthropy and social investment that is common in the professional world of managers and promoters of CSR. In the local discourse, the connotation of corporate charity rather includes both; it implies corporate spending in areas other than promotion and advertisement and other than commercial investment aimed at immediate or short-term profits. Yet the objective of the study attempted to inquire more into how the respondents differentiated between assessed social investment and charity. In this regard, the study proved that, since CSR is a relatively new concept in Georgia, not only is *social investment* not clearly separated from corporate charity, but the term is not publicly used. This important circumstance was taken into account, and specific techniques were applied, both in the design of the questionnaire and in the instructions given to group discussion moderators, in order to distinguish between CSR-related social investments and corporate philanthropy in the feedback provided by the respondents. The respondents were asked to give a categorized list of common relevant corporate practices known to the local public. Thus, this analysis is based on the local connotation of the term that includes both social investment and charity, yet in a way that allows for differentiating social investment from charity.

In the listing of factors that determine the reputation of a company, *“Charitable projects funded and implemented by companies/corporate philanthropy”*, including social investment, was ranked number eleven and was cited by 9% (the sixth largest percentage share) of the respondents of the Survey. However, Focus Group Discussion participants defined it as an indispensable attribute of an “ideal company” – it ranked number two in the listing (28%) after the quality of products and services (see *Table 3* below). The name of a local company that was first to introduce corporate charity, including a substantial package of social investment, and has, perhaps, remained the largest charitable corporate player for almost ten years, was cited most frequently by the respondents when asked to name “good companies”.

“Taking care of the environment”

Although protection of the environment was identified among the three factors that form expectations and attitudes toward business in Georgia (see 4.5 and 4.6 below), in a more detailed inquiry of factors that form company reputation, as well as in the inquiry into the reasons for referring to particular “good companies, this factor was ranked second from the bottom of the list (ranking thirteenth, 2%, for factors that determine reputation and 0,4% for the strengths of “good companies” nominated). This can be explained by several major issues; the relative scarcity and scant publicity of responsible business practices aimed at the environment, relatively low environmental awareness, and a generally low ranking of environmental issues in local discourse compared to socio-economic problems.

The study of CSR, conducted by CSRDG among the managers of “big business” companies,¹⁴ reveals that the majority of managers are convinced that environmental issues should be considered only by those companies that affect the environment by the nature of their operations.

Other philanthropy, social investment and CSR-related factors

In spontaneous answers for the determinants of a “good company,”¹⁵ the respondents identified several categories that are related to philanthropy, social investment and CSR in general. In particular, this includes “Taking care of/sponsoring culture and art”; “Supports the exploration of talent and creative potential among the youth/youth education”; “Taking care of the city/investing in the improvement of the urban environment”; and “Applying international standards in operations” (see Table 3). The aggregate weight of these factors is 2,6%.

Table 3: The factors that determine the good reputation of the particular “good companies” referred to by the respondents.

Factor referred to spontaneously by the respondents	% share
“Quality of products and services provided to the consumers”	37%
“Charitable projects funded and implemented by companies/corporate philanthropy”	28%
“Competence/professionalism of the company employees/managers”	14%
“Employing locals as opposed to importing an inexpensive workforce from abroad”	13%
“Taking into account consumer opinion”	10%
“Personal reputation of a CEO as an honest and decent member of the community”	8%
“Fair, acceptable and affordable prices”	7%
“Taking care of own employees/good corporate welfare”	5%
“Good publicity and public relations	5%
“Corporate transparency/providing society with correct information”	5%
“Using local production inputs/raw materials as opposed to imports”	4%
“Environmentally clean products”	2%
“Good management”	1%

¹⁴ “Big Business in Tbilisi and Corporate Social Responsibility – Attitudes and Practice”, CSRDG, 2007 (in preparation for publication)

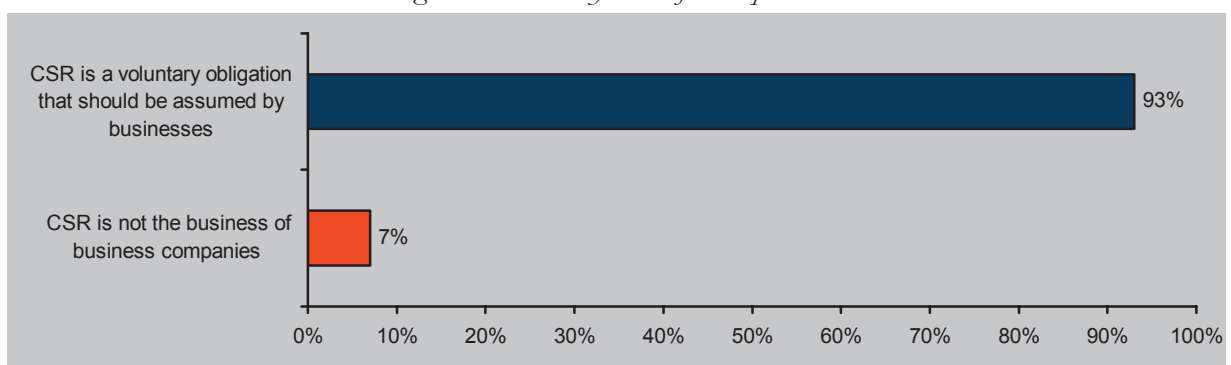
¹⁵ Unlike the data provided in Table 2 above, which represents the frequency of answers (the sum of responses is over 100%), in the case of data given in Table 3, the respondents were required to provide a single answer (thus the sum of % rates of responses is 100%)

<i>“Makes a tangible contribution to economic development”</i>	1%
<i>“Takes care of/ sponsors culture and art”</i>	1%
<i>“Supports the exploration of talent and creative potential among the youth/ supporting youth education”</i>	1%
<i>“Takes care of the environment”</i>	0.4%
<i>“Takes care of the city/ invests in the improvement of urban environment”</i>	0.4%
<i>“Is not involved in politics”</i>	0.4%
<i>“Has a foreign investor as a partner/ owner”</i>	0.3%
<i>“Applies international standards in operations”</i>	0.2%
<i>Undecided</i>	3%
<i>Other Factors</i>	13,7%

4.3 General Attitude toward Responsible Business Practices/CSR as a Legitimate Voluntary Choice for Businesses

The Public Opinion Survey and Focus Group Discussion alike indicate that respondents expect big companies, rather than SMEs, to be active CSR players. As many as 93% of the respondents are convinced that, in addition to the primary objective of maximizing profit and conforming to current legal requirements, companies other than SMEs should assume a voluntary responsibility for addressing the needs of society, and should also take into account developmental implications in the process of decision making and in current business operations. The proportion of those who believe that it is not the business of business to be guided by developmental agendas, and that companies should adhere only to their legitimate concern of making profit, is 7%. (See *Chart 3* below).

Chart 3.: Attitude toward CSR as a legitimate voluntary choice for the private sector



The respondents regard charity and philanthropy as the more common forms of corporate behaviour, informed by social solidarity and the enlightened self-interest of the companies, and as the means for “addressing the needs of economically vulnerable groups” – a priority that

ranked number one in the set. Such an approach may have resulted from a combination of several factors: socio-economic problems are at the top of the current agenda; there is little awareness of social investment as an alternative to charity; and clear-cut social investment practices are relatively rare and poorly publicised. It is true that the respondents do not clearly differentiate between charity and social investment. However, the respondents still generally identify social investment – “better targeted charity” to quote a respondent - as a preferable way of doing what, in their perception and discourse, is *corporate charity*. This “folk tradition” logic suggested by the respondents – teaching the local community, which is related to, or located in, the area of operation of a company, how to fish rather than give them fish – falls under the professional definition of CSR.

“It would be great if businessmen had been doing “targeted charity” – say, provide a village with tools or seeds. The villagers would then at least produce the food they need. I have no idea why they [businessmen] are not doing it this way.” (F.G. 1: Man. Age 42. Unemployed)

In general terms, there was a consensus among the respondents that CSR activities will certainly win good reputation with the entire society, in a definitely cost-effective way.

“I think that a company which takes care of the environment and implements social projects will definitely win maximum consumer loyalty at a minimal cost” (F.G.1. Woman. Age 39. Unemployed)

The overall public attitude is overwhelmingly pro-CSR. The demanded areas and forms of CSR, as well as perceived motives for practicing social responsibility, are addressed in detail in chapters V., VI., and VII. below.

The percentage of sceptics towards CSR as a generally legitimate public expectation toward the private sector is low, yet the logic of their line of reasoning is worthy of attention. In total, three specific arguments were put forth.

“It is up to the government to take care of development – it is not the business of businesses” – a part of the respondents and focus group participants assign the responsibility for the aspects of development solely to the government as the major prerogative and function of the latter, and see no reason why private enterprises should be preoccupied with addressing public demands and expectations.

“It is the government who is obliged by law to take care of all these. What else is the purpose of government?... as for business... business should concentrate on its purpose – make profit and not hide money [from tax authorities]” (FG 2. Man. Age 32. Employed in CSO sector)

“Now, suppose a company doesn’t break the law and pays all its taxes that are later spent for public needs – why should one expect more?” (FG 1.: Woman. Age 38. Unemployed)

“Its hard enough to survive and do business; its even harder for a company to take on additional obligations and responsibilities” - a certain proportion of the respondents does not reject the CSR argument *per se* but argues that the business sector is still weak, being challenged by high risks and uncertainties, and the overall business environment in Georgia requires more improvement. According to this argument, expecting and even demanding CSR from strong companies operating in wealthy and stable economies is just and fair. However, it is

not fair to apply the same standards to the private sector in a developing country like Georgia. Such additional requirements as CSR may even reduce the viability and competitiveness of Georgian companies.

“The taxes a businessman has to pay are already high and hard to afford. On top of that, other costs, like the costs of energy are high and even increasing. All this is strangling one’s business... So, shall we require them [entrepreneurs] to do more than what they try to do?” (F.G. 2. Woman. Age 34. CSO Sector)

“...Look, for instance, foresters do not re-plant forests any more, so why should businesses be obliged to the job of the foresters? If a businessman does no harm, why should he do more? Should he take care of his business in his spare time then?” (F.G. 1. Man. Age:325. Unemployed)

“Business is about pragmatism. It is guided by the logic of pragmatism. Any step beyond pragmatism leads to defeat in competition with others. Only those businesses that are strong and confident can take on additional obligations. There are not too many of them around though.” (F.G. 1. Man. Age: 45. Unemployed)

“The more a business does voluntarily [in addition to requirements by law], the more it will be demanded to do” – This argument, put forth by yet another faction of sceptics, indicates the perceived lack of balance within business-government relations, and the threat of CSR activities to inflate expectations of, and demands on business, on the part of the government.

“Business should do no more than abide by the law and fulfil legal requirements. Doing more will only produce additional demands.” (F.G. 2. Woman. Age 35. Employed in public sector)

4.4 Priority Areas of CSR as Perceived by the Respondents

Participants of the Focus Group discussions and respondents of the survey outlined the role of the private sector in development, which they perceive as relevant to the discourse of Georgian society. This included “supporting economic development”; “addressing social and socio-economic problems of society” and “protecting the environment” (see *V. Most Demanded Areas for CSR* below for the delineation of locally legitimate areas of CSR). Focus Group Discussions as well as spontaneous answers to open-ended questions revealed that respondents identify and categorize five major players in development, including private-sector players: the government; big business; small and medium enterprises (SMEs); Civil Society Organizations (CSOs) and International Organizations.

Importantly, the Tbilisi population does not see the relevance of some of the major areas of CSR that are consensually considered as such internationally. As categorised by the Global Compact Initiative, the largest worldwide CSR initiative championed by the UN,¹⁶ these include *Human Rights, Labour and Anti-Corruption*. It would be too simplistic and simply incorrect to assume that

¹⁶ Visit www.unglobalcompact.org or www.globalcompact.ge for more information on Global Compact Initiative worldwide and in Georgia.

these three important dimensions of CSR are not regarded by Tbilisi residents as a part of CSR discourse because they lack basic awareness or deny the importance of Human and Labour Rights and the need for company operations that reduce, if not eliminate, corrupt practices. The fact of the matter is that, importantly, the respondents regard protection of Human Rights and Labour Rights, as well as restraint from Corruption, as mandatory legal requirements to be strictly followed, as opposed to a voluntary ethical choice of “enlightened” managers who claim a higher moral ground. The Law clearly bans violation of Human rights and the use of Child and Slave Labour, and there is little, if anything, that can be done voluntarily in addition to legal requirements. Thus, in terms of determining the primary actor responsible for ensuring Human Rights and Anti-Corruption policies and practices, the respondents clearly perceive government rather than business as the institutional body in charge.

As for the absence of Anti-corruption, two more specific explanations can be suggested. Firstly, it can be assumed that this factor was not considered by society as an area of responsibility of the private sector players, since the problem of corruption has been traditionally understood as corrupt practices set up and driven by government officials, not the lobbyists and managers of businesses - these latter who may, in fact, have offered bribes to officials. Secondly, whilst not to suggest that tax evasion has been totally eradicated on a nationwide scale, there have been dramatic improvements in combating tax evasion by companies in Georgia; fiscal agencies now identify corporate tax evasion, severe penalties have been applied and the cases broadly publicized.

Labour Rights are not on the list of priorities, notwithstanding the fact that Georgia’s Labour Code is essentially employer-oriented and offers little protection to employees, as a result of the combination of a high rate of unemployment and poverty and the weakness of Trade Unions. Demand for jobs is much higher than the supply of employment, and bargaining power and expectations for an elaborate system of Labour Rights are simply not in place. In addition, there are no reported cases of slave labour or extensive use of child labour by companies. Given the current scope and scale of socio-economic problems in Georgia, the respondents may be somewhat tolerant of child labour in rural household economies and rural and urban small trade sectors.

4.5 Public Expectations of the Role of the Private Sector in Development

Methodological disclaimer

While considering the data for Attitudes and Expectations for the involvement of the private sector and other major institutional sectors in “supporting economic development”; “addressing social and socio-economic problems of society” and “protecting the environment” (see *Charts 4, 5, 6, 8, 9 and 10*) – the areas of development relevant to the private sector identified and categorized by the respondents – it is important to take into account methodological restrictions on generalization. In particular, since the respondents were questioned regarding the *degree* of perceived and expected involvement of the major institutional players in the relevant areas and comparison of the data for different players may not be credible

Charts 4, 5 and 6 below illustrate the expectation of society toward the major players in development in respect of contributions to “supporting economic development”; “addressing social and socio-economic problems of society” and “protecting the environment” – the areas of development relevant to the private sector identified and categorized by the respondents.

As a major conclusion it can be seen that there is a high demand for all institutional players, except SMEs, to play a role in development.

Chart 4.: Expectations toward major players in the area of “supporting economic development”

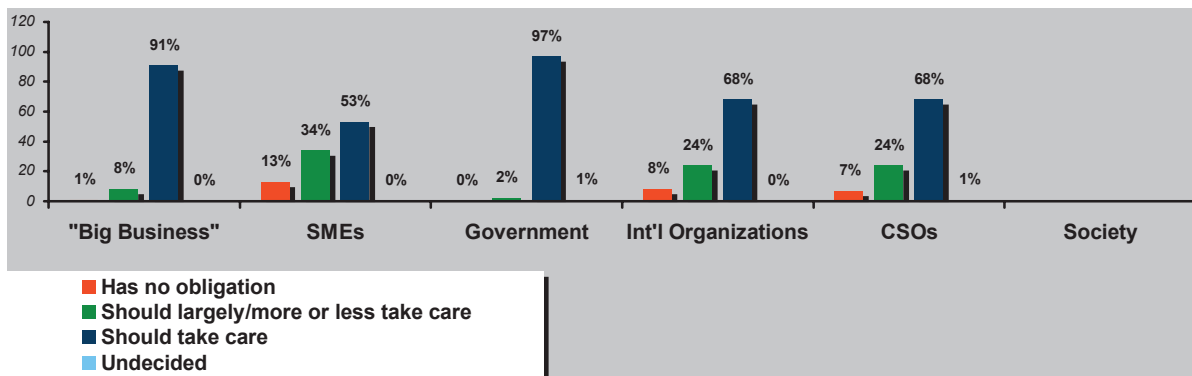


Chart 5.: Expectations toward major players in the area of “addressing social and socio-economic problems of society”

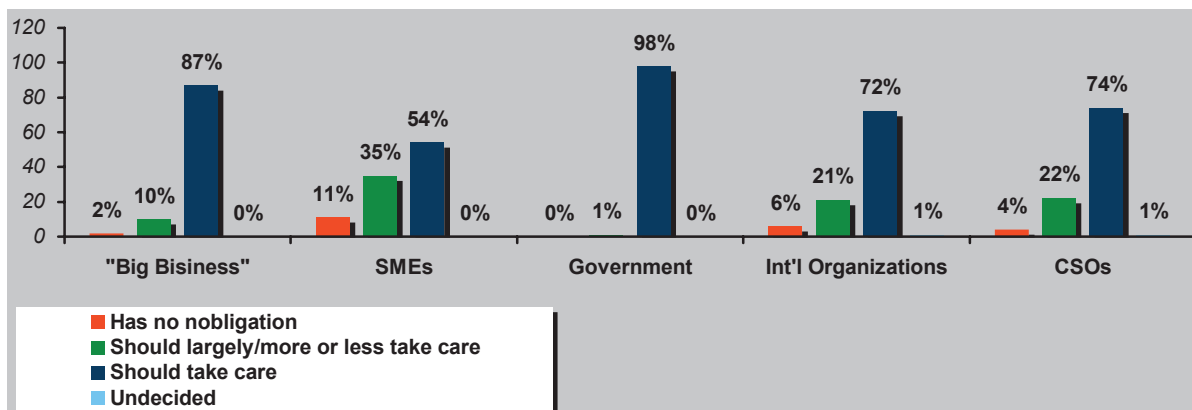
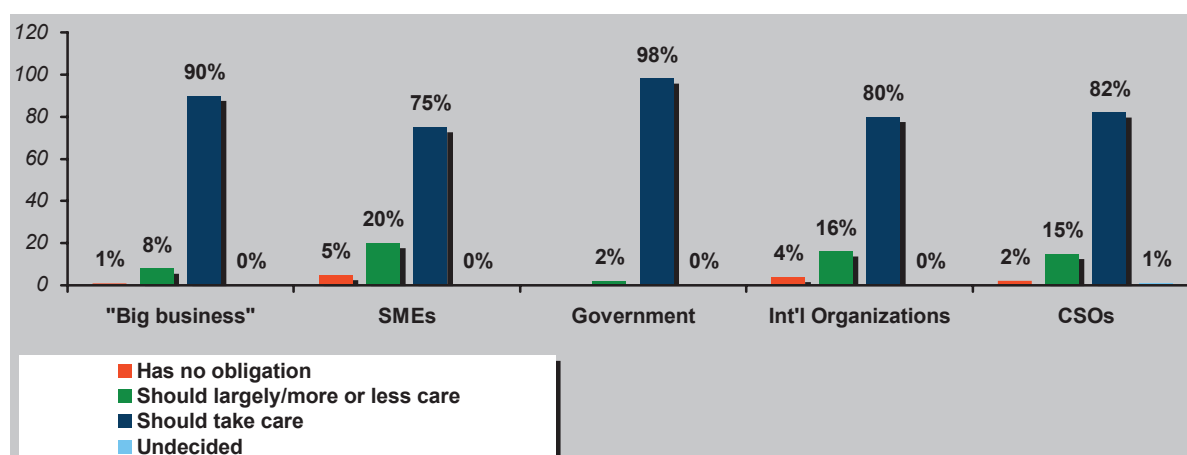


Chart 6.: Expectations toward major players in the area of “protecting the environment”



An overwhelming majority of respondents consider that “big business” is almost as much responsible for economic development as the government; 91% and 97% of respondents respectively. The differential between the responsibility for “addressing social and socio-economic problems of society” is slightly higher; government - 98%, “big business” – 87%. As for “protecting the environment” the government to “big business” ratio is 98% to 90%.

Importantly, expectations toward SMEs in playing a role in various aspects of development are lower, not only compared to “big business” but also international organizations and CSOs. This can be explained by the relative weakness of the SME sector in Georgia. However, notably, the low rating of SMEs as a major player in development is also illustrative of the low expectations toward any future relative weight of the SME sector that, in addition to the current underdevelopment of the sector, can be explained by low public awareness of the role of SMEs in economic development as generators of the bulk of the economic wealth in highly developed economies, and/or a certain scepticism towards the potential of SMEs in Georgia to become the major engine of private entrepreneurship.

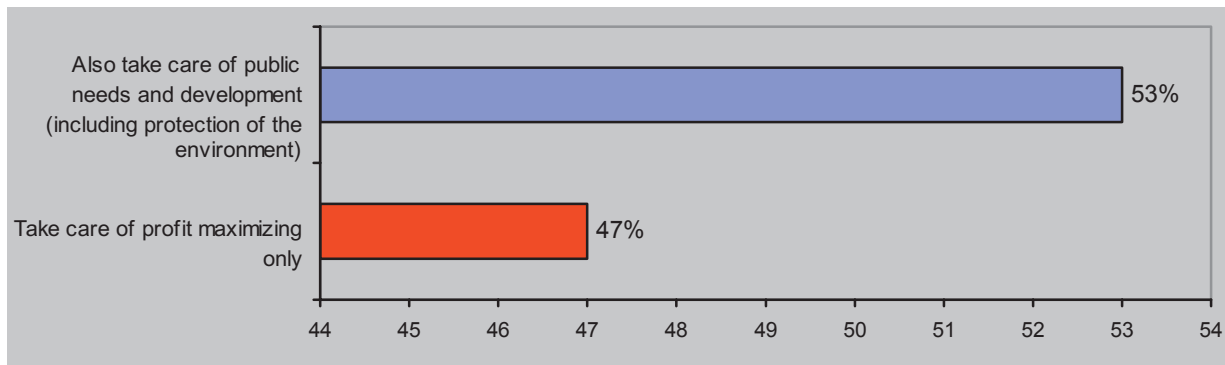
The expectations toward CSOs and international organizations are similar for all the three areas.

4.6 Perception of the Actual Role of the Private Sector in Development

Note: The same methodological limitation for public expectations in 4.5 above applies to the comparison of data on the perception of the actual role of the various institutional sectors in addressing the needs of development. (see *Methodological disclaimer* in 4.5 above)

More than a half of the Tbilisi population (53%) tends to think that, currently, in addition to maximizing profits, large companies implement activities that respond to the needs of society and contribute to development. 47% of the respondents disagree (see *Chart 7*)

Chart 7: Perception of companies in Georgia as CSR-active.



The respondents were questioned about the actual state of affairs regarding the categorization of the major players and the areas of their expected involvement, similar to the inquiry into public expectations in section 4.5. above.

In general terms, the respondents acknowledge that all the players do take care of “supporting economic development”; “addressing social and socio-economic problems of society” and “protecting the environment”. However, the extent of the perceived actual efforts of the private sector and government are much lower compared to the expectations, i.e. public demand. As a consequence, the “relative weight” of the actual role of CSOs and International organizations is higher.

Supporting economic development

According to the ratings by the respondents, “big business” outranks the government (27% to 23% respectively) for the aspect of “supporting economic development”. Interestingly, SMEs rank last in the set, coming after CSOs and International Organizations – the two outsiders in expectations for desirable contribution to development. This once again points to the perception of the weakness of the SME sector in the country.

Addressing social and socio-economic problems of society

The government and “big business” have almost equal ranking in the area of “addressing social and socio-economic problems of society” (22% and 23%).

Protecting the environment

The government is considered a major player in “protecting the environment” (27%), followed by “big business”, CSOs and International Organizations (equal rating of 15% each). SMEs (7%) are the outsider of the set.

Interestingly, the responsibility for protecting the environment assigned to SMEs is highest compared to any other area of development.

See Charts 8, 9 and 10 below for the statistical breakdown.

Chart 8.: Perception of the actual care/contribution of the major players in the area of “Supporting economic development”

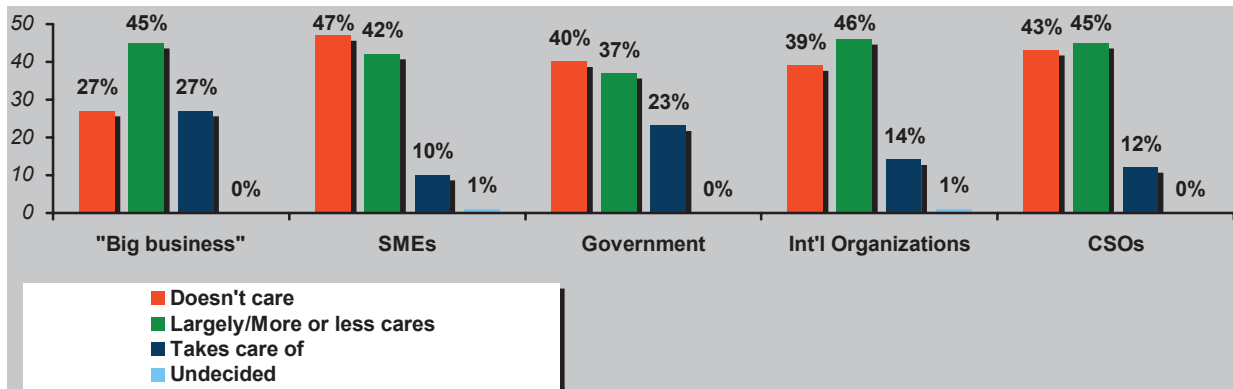


Chart 9.: Perception of the actual care/contribution of the major players in the area of “Addressing social and socio-economic problems of society”

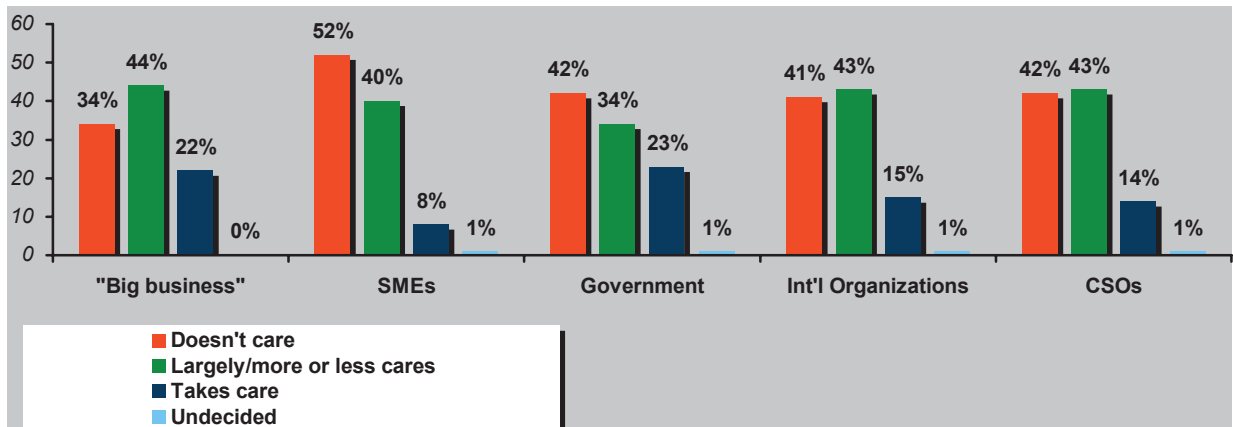
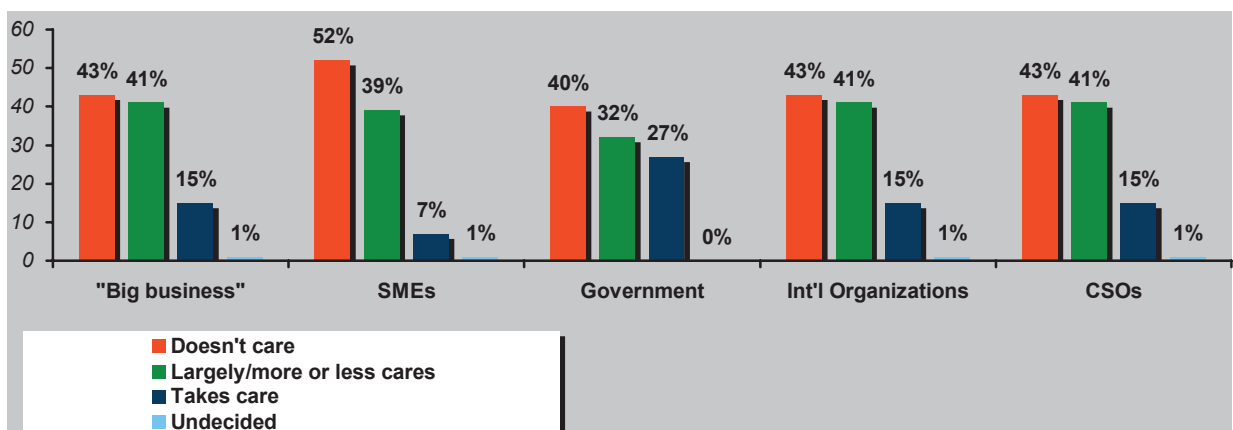


Chart 10.: Perception of the actual care/contribution of the major players in the area of “Protecting the environment”



4.7 Current Expectation Gap

The gap between expectation and perception as regards the role of business in development is considerably high; 93% of the respondents think that “CSR is a voluntary obligation that should be assumed by businesses and is a legitimate expectation on the part of society”, while only 53% consider that, in addition to profit maximizing, businesses “Also take care of public needs and development (including protection of the environment)”.

The ratios between expectation and perception concerning the current state of affairs in the selected areas of development are very high as well. The Tbilisi population expects “big” business to be more active in addressing the needs of “supporting economic development”, “addressing social and socio-economic problems of society” and “Protecting the environment”.

The expectation to perception gap for definite action (“does/should care for” assessments) in the “supporting economic development” category for “big business” is an astonishing 64% (the difference between the expectation rating of 91% and the perception rating of 27%). As a comparison, the gap for the government for the same category is 74%. The gap for SMEs is smaller (43%), due to low expectations.

The gaps for definite action in “addressing social and socio-economic problems of society” are very high as well: 65% for “big business; 75% for the government; 46 % for small business; 60% for CSOs; and 57% for International Organizations.

In the area of “Protecting the environment” (for definite action answers), “big business” lags behind the expectations by 75%; government by 71%; CSOs by 67% and International Organizations by 65%. The expectation to perception gap for SMEs is 75% on definite expectation (“does/should care for” assessments). However, interestingly, probably because of the low environmental impact produced by SMEs, perception of actual SME performance is 19% higher than expectation for less definitive answers (“should/does take care of to an extent” assessments).

It should be mentioned that the expectation to perception gaps for all players, by area of development, are smaller when the answers for definite action (“does/should care for”) are aggregated with those for less definite action (“should/does largely/more or less care”).

In general terms, the gaps between the actual performance of the major players and their expected course of action in selected areas of development are considerably high. On the one hand, respondents clearly state that no major institutional player meets the current expectations; on the other hand, government and “big business” have the highest ratings in meeting public expectations, that is, they facilitate economic development (big business, 27%; government, 23%), address social and socio-economic problems (big business, 22%; government, 23%), and protect the environment (big business, 15%; government, 27%).

V. MOST DEMANDED AREAS FOR CSR

In order to ensure that the areas of CSR are identified and ranked within the discourse of local society, as opposed to extraction of predictable guided responses that would have had little practical value, the respondents were required to list and prioritize the areas of CSR as they understand and perceive them. As an important part of mapping local public attitudes, perceptions and expectations, another advantage of engendering spontaneous answers is that it allows for an assessment of how, and in what terms, local society at large understands CSR and whether and to what extent the average citizen differentiates between charity and CSR. This information is especially important in planning and implementing CSR awareness campaigns as well as specific CSR activities.

The list that was compiled by the spontaneous answers of the respondents includes such activities as: “Addressing the needs of economically vulnerable groups”; “Providing employment to local communities”; “Corporate charity”; “Supporting the improvement of healthcare”; “Supporting improvement in the education sector”; “Using local production inputs/raw materials as opposed to imports”; “Taking care of own employees/good corporate welfare”; “Improving living conditions of the local communities that live close to the area of operations”; “Protection of cultural monuments, and funding theatres and exhibitions”; “Providing corporate internships to students”; “Providing help in starting small business and start-up SMEs”; “Voluntary environmental activities”; “Sponsorship of sports schools and sports competitions”; “Repairing damage made to the environment by the company”; “Assisting farmers with equipment, materials, access to finance and know-how”; and “Sponsorship of science and research”.

The most frequently referred-to factors include: “Addressing the needs of economically vulnerable groups” (54%); “Providing employment to the local communities” (54%); and “Corporate charity” (41%).

Chart 11 and *Table 4* below provide an illustration of the extracted data.

Chart 11: Priority areas of responsible business practice as perceived by the respondents (spontaneous answers)

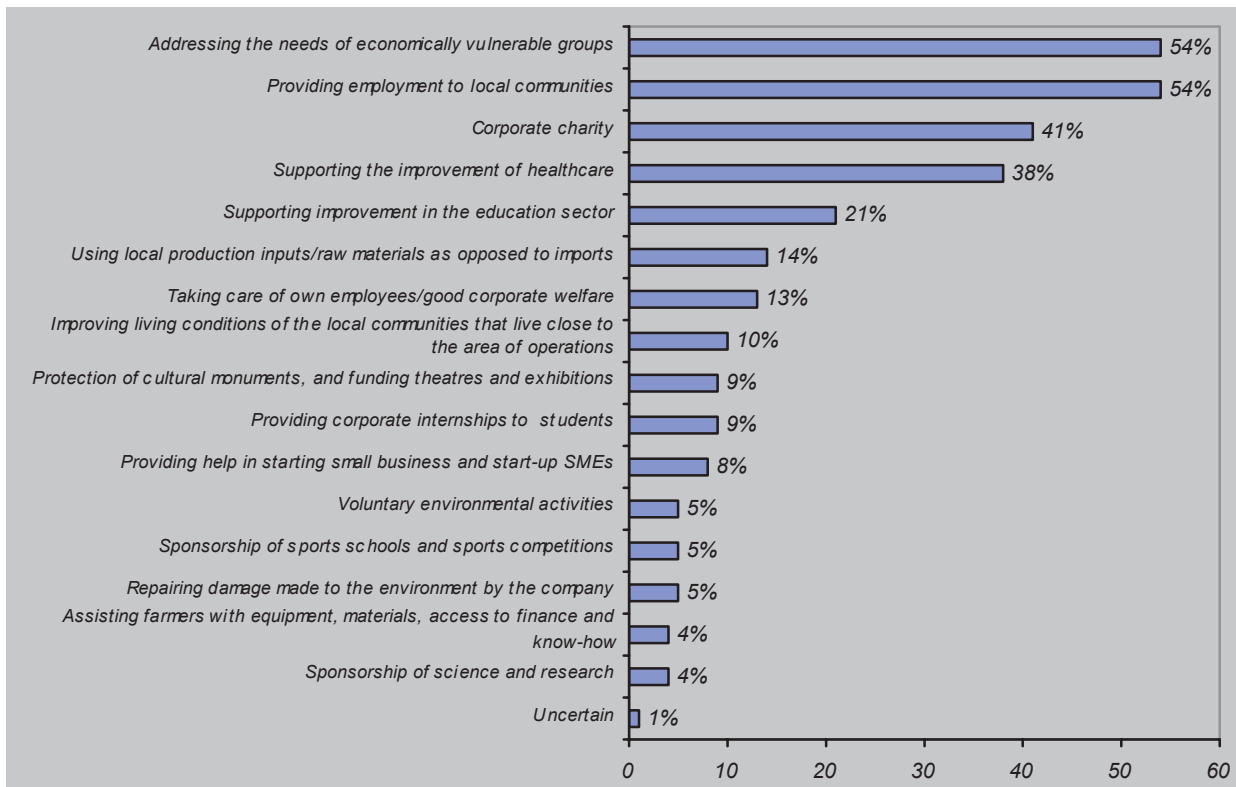


Table 4.: Ranking of priority areas of responsible business practices as perceived by the respondents

Priority areas identified ¹⁷	Ranking
Addressing the needs of economically vulnerable groups	1
Providing employment to local communities	2
Supporting the improvement of healthcare	3
Supporting improvement in the education sector	4
Using local production inputs/raw materials as opposed to imports	5
Voluntary environmental activities	6
Sponsorship of science and research	7
Taking care of employees/corporate welfare: on-the-job training; improving working conditions; corporate welfare; provision of insurance and economic stimulation	8
Protection of cultural monuments, funding theatres and exhibitions	9
Providing help in starting small business and start-up SMEs (with equipment; access to venture capital and know-how)	10
Improving living conditions of the local communities that live close to the area of operations (e.g. repairing/building roads, water supply)	11
Assisting farmers with equipment, materials, access to finance and know-how	12
Sponsorship of sports schools and sports competitions	13

Not surprisingly, “Providing employment to local communities” ranked second from the top due to the high unemployment rates, relatively little interaction between the majority of companies and local communities and the perceived threat of companies as regards the import of a foreign workforce.

Voluntary activities aimed at protecting the environment or undoing existing damage is relatively low on the agenda of the respondents. By and large, respondents expect the companies that cause environmental damage to prevent or undo it. The expectations toward companies that by the nature of their operations do not cause evident environmental damage are much lower.

“It depends how much one’s business [operations] cause actual damage to environment. We can’t oblige every company to take care of the environment” F.G. 2. Woman. Age 30. Employed in private sector)

¹⁷ Priority areas were listed by the Focus Group Discussion participants.

Low legal environmental restrictions and the lack of information regarding environmental problems were referred to by focus group participants as the major impediments for corporate environmental activities. According to respondents, quite often companies themselves are not fully aware of the environmental damage they cause.

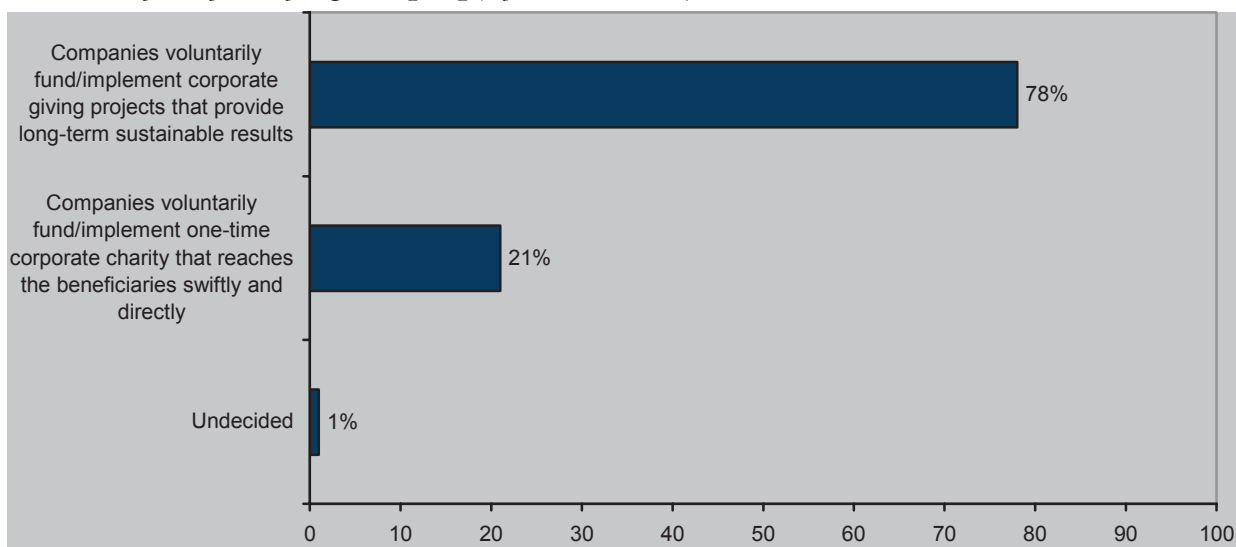
VI. CSR AND CORPORATE CHARITY

6.1 Forms of Corporate Giving¹⁸ Expected

Since there is no clear division between CSR and corporate charity in the discourse of the local society, in the inquiry into the preferred forms of corporate giving, i.e. CSR and Charity/Philanthropy, questions were put to the respondents in terms of local discourse. In particular, corporate giving was differentiated according to the duration of impact – one-off corporate charities vs. corporate giving that produces long-term results that are often self-sustaining, with no need for additional input on the part of the company. Subsequently, the respondents who considered that, in addition to legal requirements, companies should voluntarily be involved in practices that benefit society and the environment, were invited to differentiate between the following two models; “Companies voluntarily fund/implement corporate giving projects that provide long-term sustainable results” and “Companies voluntarily fund/implement one-time corporate charity that reaches the beneficiaries swiftly and directly”.

The majority of Tbilisi respondents (78%) prefer CSR project activities, while 21% prefer immediate and specifically targeted corporate charities (See *Chart 12* below).

Chart 12: Preferred forms of corporate giving (objective assessment)

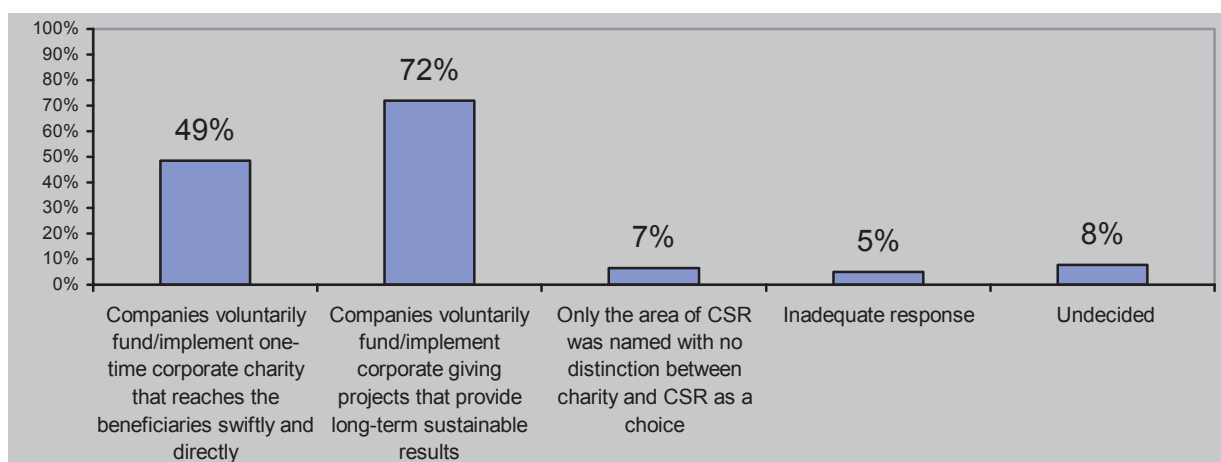


In addition to the *objective* assessment of the forms of Corporate Giving practiced, the respondents who think of Corporate Giving as including CSR as a legitimate option were asked to provide a *subjective* view, that is, to list the Corporate Giving activities they would implement were they to own/manage a company. The difference in opinions in fact repeated the pattern seen with the assessment of the actually practiced forms of Corporate Giving; 72% of the

¹⁸ In this case, the term *Corporate Giving* is inclusive of all forms of corporate activities other than directly and solely oriented at profit, such as charity, philanthropy, social investment and the projects that serve developmental ends but may be commercially profitable in the mid- and long-term.

respondents prefer CSR projects with long-term impact. At the same time, the weight of pure Charity and Philanthropy was 49% (See *Chart 13* below).

Chart 13: Preferred forms of corporate giving (subjective assessment, frequency of answers¹⁹)



Such activities as “helping finance children from low-income families”, “sponsoring sports”, “sponsoring cancer surgeries”, “providing food to the poor”, “helping families that have many children” and “will donate to Church” were named among the ways of implementing corporate charity.

The attitudes toward CSR and Charity as forms of Corporate Giving, as revealed through the qualitative survey (focus groups), reflect the complexity of the argument rather than a simple, “good” and “bad” approach and pre-supposition. It is true that the respondents clearly prefer a CSR approach. However, at the same time they suggest that “corporate giving projects that provide long-term sustainable results” (i.e. CSR) are not always as swift and effective as charity that is at the same time the form that is more common and familiar to an average citizen. While, importantly, acknowledging the advantages of CSR and largely preferring it to simple Charity, still the respondents see a combination of the two as an optimal company policy approach.

“In some cases charity is more relevant. Suppose somebody who has no insurance needs urgent medical treatment – he can’t wait for a “long-term” and “sustainable” project eventually to help him”.(F.G. 1. Man. Age 31. Unemployed)

“In my opinion, one [company] has to be equally ready to do either of the two. Charity is the best for some particular cases, while more sustainable interventions that result in a sustainable outcome which is even reproduced without further outside help – are the best fit for the tasks that involve long-term planning for long-term results.” (F.G. 1. Age: 39. Unemployed)

6.2 Forms of Corporate Giving Practiced

With regard to the current state of affairs of Corporate Giving in Georgia, 16% of the respondents believe that the Corporate Giving activities currently implemented by Georgia’s private sector mostly include CSR projects. According to 32% of the respondents, companies are by and large engaged with Charity and Philanthropy. Notably, the proportion of the most

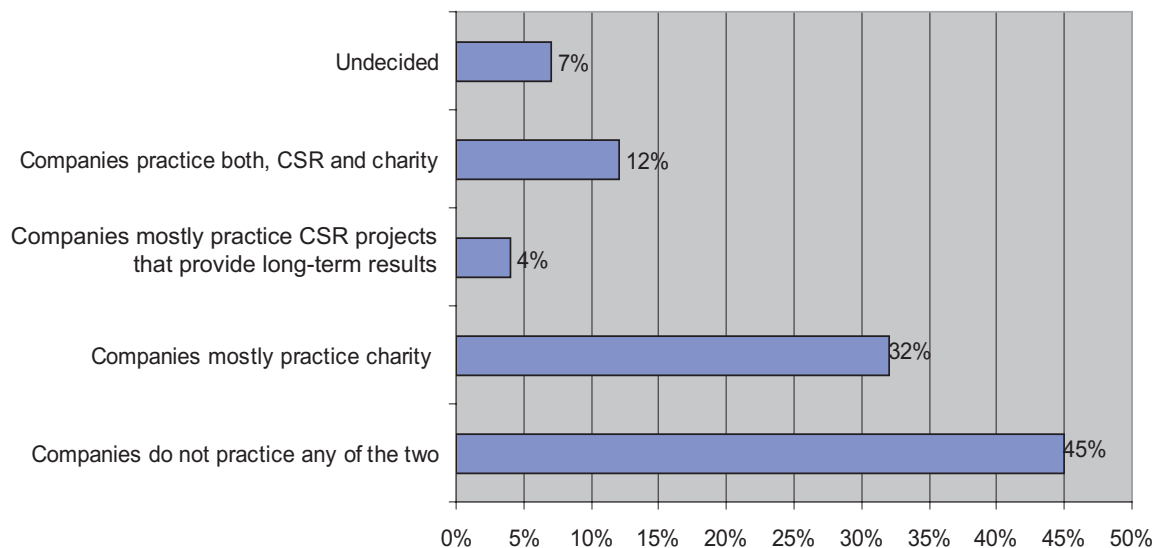
¹⁹ Since the respondents were given an option of multiple answers, the sum of the % shall not be equal to 100%

sceptical respondents, who tend to think that businesses are not really implementing either of the two, is an astonishing 45%. This data repeats the pattern revealed in Chapter 4.6 above (see *Chart 7: Perception of the companies in Georgia as CSR-active*).

It may be argued that, in denying the private sector any credit for Corporate Charity, this proportion of the respondents suggests that, since current Corporate Charities are not performed on an impersonal basis, this kind of corporate giving shall not be considered charity. In more particular terms, as a hypothesis that requires verification, this sceptical argument may imply that, except for rare cases, beneficiaries gain access to charity through their social networks and peer or family contacts and, most of the time, company managers make decisions according to the direct or indirect “weight” of the applicant within his/her (manager’s) social network.

See illustration of the data in *Chart 14*.

Chart 14: Perception of the current forms of Corporate Giving.



6.3 Awareness of Particular CSR Activities and Corporate Giving

In a *subjective* inquiry, respondents were asked to identify companies that practice Corporate Giving, and to name these activities thereby. The *subjective* data extracted is illustrative of both the awareness of the types/forms of Corporate Giving and the degree of awareness of Corporate Giving activities of particular companies (i.e. the degree of success of corporate Public Relation policies in Georgia with regard to Corporate Giving) (See *Table 5* for the data).

Table 5: Public Awareness of Corporate Giving in Georgia (subjective data for spontaneously nominated particular companies operating in Georgia) .

	The form of Corporate Giving Practiced	Respondent recalls particular company	Respondents have heard about the particular type of activity but cannot recall the name of the company	Respondents have not heard of a company practicing any particular type of activity
1	Company takes care of employees (improves labour conditions/provides decent and safe labour conditions, provides on-the-job training/education for professional development and advancement, provides health insurance and recreation facilities)	36%	20%	45%
2	Implements environmental protection programmes/projects in the area of operations and beyond (e.g. reforestation/protection of forests, access to safe water etc.)	5%	23%	72%
3	Company applies technologies that reduce environmental damage and reduce the use of natural resources	8%	20%	72%
4	Sponsors sports and sports competitions	40%	32%	28%
5	Sponsors projects in the area of healthcare (funds patient care, technological upgrade of clinics etc.)	34%	28%	38%
6	Sponsors educational institutions/organizations and projects (provides technical assistance and equipment to schools, vocational training in colleges and universities, provides scholarships for talented students etc.)	19%	32%	49%
7	Patronizes/sponsors culture (restoration of cultural monuments,	23%	26%	50%

	rehabilitation of infrastructure for theatres, museums etc.)			
8	Provides charity to orphanages and shelters	35%	31%	34%
9	Implements/participates in employment programmes including setting up local supply chains	15%	33%	52%
10	Practices corporate charity	47%	26%	27%
11	Large company assists farmers and SMEs	9%	16%	75%

A remarkable 45 -75% of the respondents couldn't recall the names of companies that practice particular areas of CSR, while the awareness of Corporate Charity and philanthropy is much higher. At the same time, the proportion of the respondents who have heard of particular CSR activities but cannot recall the names of the companies involved is significantly high as well.

Most frequently, the companies that practice charity and philanthropy were nominated: a company... "Practices corporate charity" (47%); "Sponsors sports and sports competitions" (40%); "Provides charity to orphanages and shelters" (35%).

The most renowned CSR activity identified was CSR with regard to employees; "Company takes care of the employees (improves labour conditions etc.)", ranked third from the top (36%). The proportion of responses on other forms of CSR is relatively low: "Large company assists farmers and SMEs"(9%); "Implements/participates in employment programmes including setting up local supply chains" (15%); "Implements environmental protection programmes/projects in the area of operations and beyond" (5%); "Company applies technologies that reduce environmental damage and reduce the use of natural resources"(8%).

The majority of respondents evidently recall charitable rather than CSR activities from current corporate practice. This pattern suggests that charity and philanthropy as forms of Corporate Giving are more common compared to CSR, and that the awareness of the CSR practiced by companies is low.

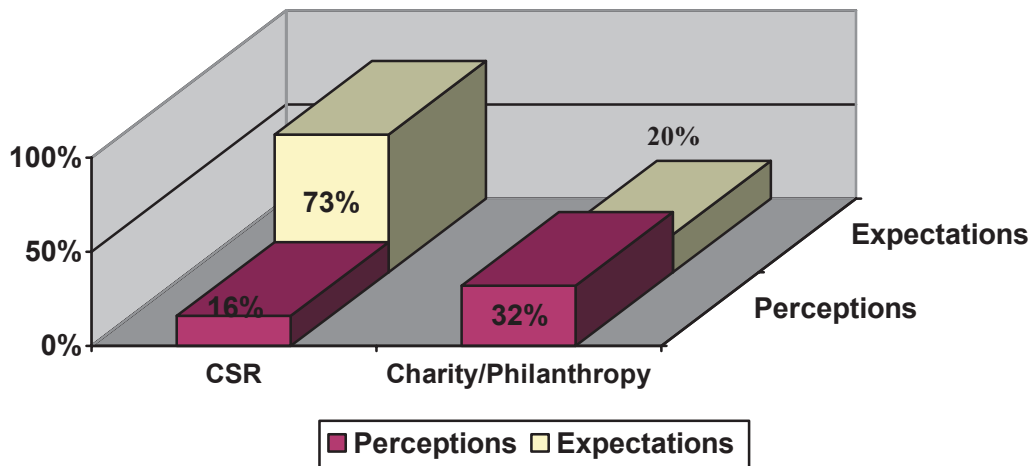
6.4 Expectation to Perception Gap for the Forms of Corporate Giving

The gap between expectations and perceptions with regard to Corporate Giving is significantly wide. The proportion of the respondents who believe that CSR is a legitimate option for companies is 93% (see Chapter 4.3 *Chart 3*). 78% of the 93% (that is, 73% of the total number) prefer a long-term CSR approach in Corporate Giving, while 21% (20% of the total number) prefer simple charity that does not intentionally target long-term results (see Chapter 6.1 *Chart 12*). As for the perception of the current performance of companies, 32% of all respondents believe that companies are engaged in corporate Charity and Philanthropy, and 16% that they are practicing CSR in their corporate giving (See *Chart 14* in Chapter 6.2).

Chart 15 below depicts the expectation to perception gap for the types of Corporate Giving. The gap for CSR is a significant 57%. Interestingly, the expectations for corporate Charity and

Philanthropy are lower than the perception of the current activities of the companies. However, this obviously should not be directly interpreted as an indicator of companies delivering more Charity and Philanthropy than required. Rather it illustrates the proportion of respondents by answers.

Chart 15: Expectation gap for the forms of Corporate Giving



In general, comparison reveals that companies are implementing many fewer CSR projects and activities than expected by society and/or that public awareness of the actually implemented CSR projects is low.

As a summary to Chapter VI, it can be assumed that the Tbilisi population has a strong preference for CSR activities that provide sustainable results in the long-term. At the same time, respondents see particular advantages of charity and support a combined approach. This attitude is probably caused by the fact that Corporate Charity is more frequent and, subsequently, the citizens are more informed about this type of Corporate Giving. Thus the population is less familiar with CSR activities.

VII. PREFERRED MODELS OF CORPORATE GIVING

The term *the Models of Corporate Giving* herein refers to the particular arrangement of partnership between the stakeholders in the process of implementing CSR projects. The list of possible arrangements used in the inquiry was developed by Focus Group Discussion participants. The government, CSOs, other companies and International Organizations were identified as the stakeholders/potential partners of a CSR-sensitive company looking for an optimal set up to implement a CSR project. The reflections of the respondents as to the optimal arrangement for CSR partnerships within the current institutional, social and economic reality are illustrated in *Table 6* below.

Table 6: Ranking of preferred models for implementing CSR

Model	Ranking
Company addresses public need/problem using its own financial and managerial resources independently , with no outside help	1
Large company provides full or partial funding for a programme/project implemented by the state	2
Several large companies address public need/problem through a pooling of resources	3
Large company funds a CSO that addresses public need/problem	4
Large companies fund international organizations to addresses public need/problem	5

According to the respondents, the engagement of the company using its own human and financial resources is the most effective and reliable way of implementing a CSR project, which reflects a certain scepticism regarding partnership between several stakeholders, whose involvement details a perceived risk of delaying decisions and increasing the costs of a project. This prevailing opinion may also represent a reflection of the attitude toward the role and actual performance of the government and CSOs in possible or actual projects that fit the definition of CSR.

Practicing CSR in partnership with the government is ranked above business-to-business partnership, and has the second from top rating within the list – a ranking interesting in itself, as it contrasts with both the pro-market and deregulatory policies of the government and a strong public trend in support of “small government” and a free market, regardless of the current socio-economic problems in Georgia (see 3.2. above for illustration). The high ranking of public-private partnership in the list can be explained by the current political-economic dynamics; in particular, several highly visible large-scale infrastructure rehabilitation projects have been implemented by the government, which signals the interest of the government to improve the livelihood of communities nationwide. Consequently, since the government is directly engaged in activities similar to those of CSR projects, respondents perceive a natural link to implementing CSR through public-private partnerships.

The next in the list is CSR activities performed through business-to-business partnerships. This mode of partnership has a relatively low rating because there are very few visible precedents, and

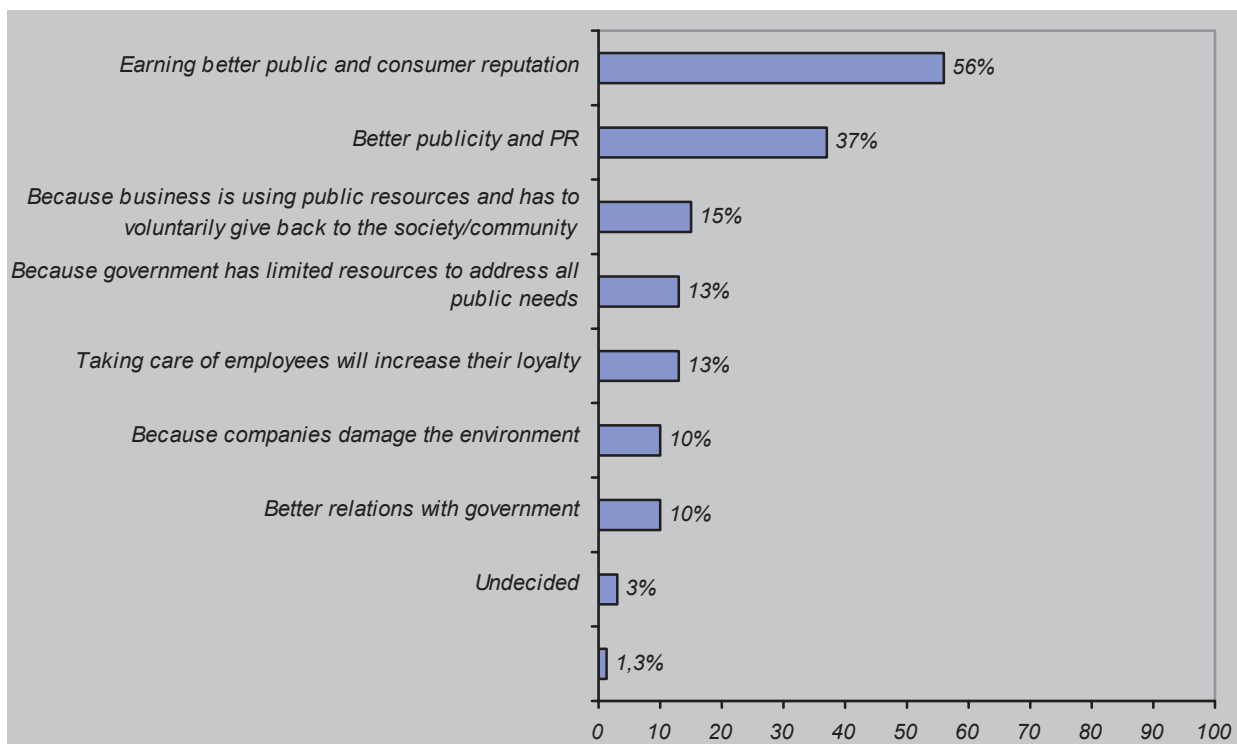
there is a possible perception that competitors or companies in different sectors and industries are unlikely to work in partnership.

CSOs and International Organizations were considered the most unlikely partners to a CSR-friendly company. The overall rating of CSOs within society must be relatively low and the involvement of CSOs as an additional link implies additional costs. As for International Organizations, any scenario under which a company would provide funding to an International Organization to implement a project sounds unrealistic to a Georgian, inasmuch as international organizations are considered foreign donors that endure the deficiencies of bureaucracy and a poor understanding of the local context.

VIII. MOTIVES FOR PRACTICING CSR

The practical importance of the data regarding public perception of the motives for practicing CSR is self-evident. The data of the survey, including a breakdown of the opinion by particular motives, is provided in the *Chart 16* below.

Chart 16: Public Perception of Motives for implementing CSR (spontaneous answers)



Note: "Other" motivations referred to included: "Georgians must help each other"; "businesses are best equipped to do it in the most effective way"; and "This way may reduce unemployment".

"Earning better public and consumer attitude" outranks all other motives, having a 53% frequency of reference. Respondents believe that practicing CSR is simply profitable in the mid- and long term; earning good reputation with society and giving back to the community will only increase company reputation, which in turn will result in increased profits.

“This kind of activity will draw more public attention to the company and induce a positive attitude in the consumers” (F.G. 2: Woman. Age:45. Employed in Private Sector)

“From a perspective of an average citizen, ... or a consumer, if you will, the company that takes real care of its employees and the problems of the community deserves respect and approval.” (F.G. 2: Woman. Age 35. Employed in Public Sector)

“Better publicity and PR” is the second most common motive nominated, with a frequency of 37%. The argument voiced in Focus Group Discussions suggests that, whether one intends it or not, CSR activities become an effective part of Public Relations and publicity, with all the relevant benefits.

“This is an advertisement in itself. It creates the image of a company as one that plans to be around for a long time and is strong enough to take care of people” (F.G. 2. Woman. Age 45. Employed in the Private Sector)

“A company may use it for advertisement... it [CSR practices] makes the company more respectable and attracts consumers to it” (F.G. 1. Woman. Age 36)

“...Because business is using public resources and has to voluntarily give back to the society/community” was the third most frequent spontaneous answer (15%). The argument, as put by the respondents, is a call for a voluntary social solidarity, rather than a strict demand to undo social injustice.

“Because government has limited resources to address all public needs”; this argument, which implies that the government can't, and probably shouldn't, respond to all public needs, and that the private sector has certain advantages as a problem-solver, rated the fourth in the list (13%).

“Remember the recent case with forest fire? – there was a forest fire in Borjomi National Park and the government lacked the capability to extinguish it. They asked [a private businessman, philanthropist²⁰] to help. So, he funded the task and managed to have it completed.” (F.G.: 2. Man. Age 37. Unemployed in Private Sector)

“There is no government that could address all problems - right? So, it [government] should only welcome outside help by business. If businesses solve some of the problems, ... do a part of the job for the government – still the government will get full credit for what has been done” (F.G.: 2. Woman. Age 32. Unemployed)

“Taking care of employees will increase their loyalty” had a response frequency of 13%. The respondents regard this aspect of CSR as a voluntary, yet purely pragmatic and thus obligatory choice, and clearly understand the link between the loyalty and productivity of employees and corporate policies that take care of the dignity and welfare of its employees.

²⁰ The name is removed as a matter of privacy.

“**Better relations with government**” through addressing socio-economic or environmental problems and repairing/preventing environmental damage “**Because companies damage the environment**”- appeared at the bottom of the list and rated 10% each.

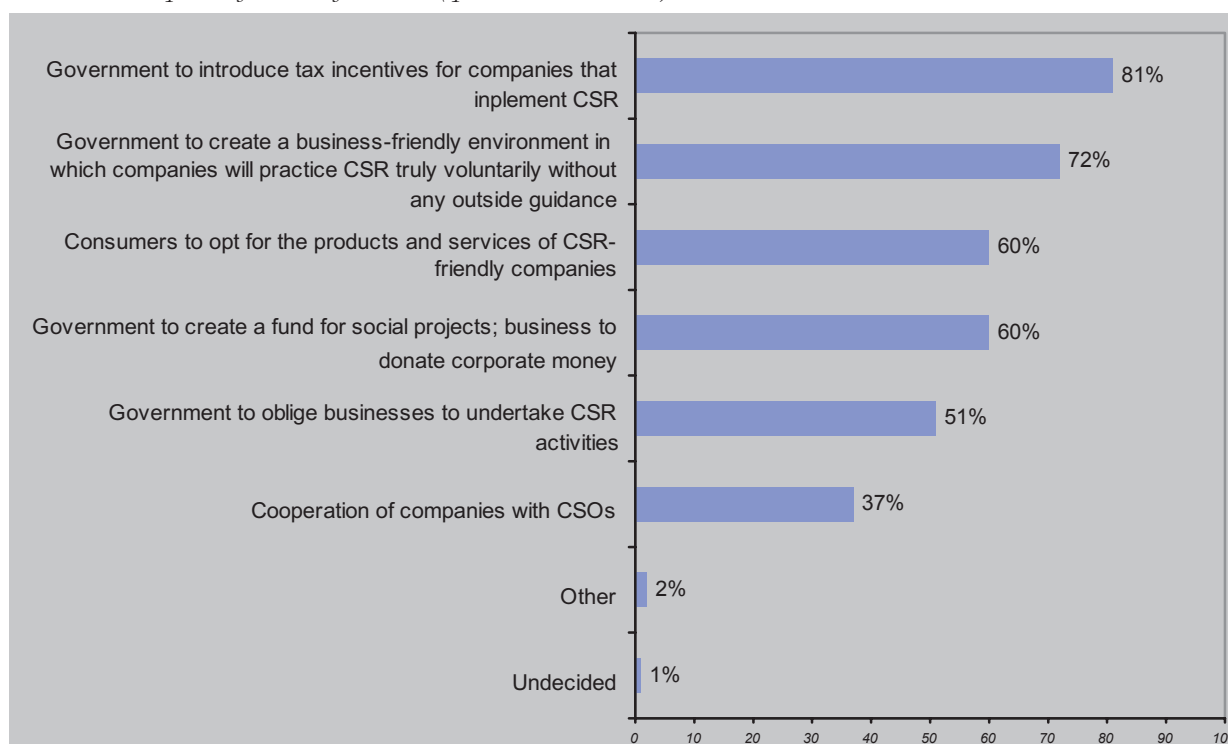
Interestingly, despite the fact that the CSR concept is new to Georgian society and no significant awareness campaign has been implemented, “the folk tradition” in scarce and often indirect and intuitive CSR awareness, revealed through the study, includes almost the entire argument for why a company must be motivated to practice CSR. In the first instance, respondents point to such most tangible pragmatic benefits as consumer loyalty and promotion, and improved public relations.

IX. STIMULI FOR CSR – EXPECTATIONS AND AWARENESS

Expected Stimuli for CSR

The majority of the responses emphasize the decisive role of the government in creating stimuli for CSR: “The government should introduce tax incentives for companies that implement CSR” (81%); “The government should create a business-friendly environment in which companies will practice CSR truly voluntarily without any outside guidance” (72%); “The government should create a fund for social projects; business should donate corporate money” (60%); “The government should oblige businesses to undertake CSR activities” (51%). (see *Chart 17* below)

Chart 17: Perception of stimuli for CSR (spontaneous answers)



The insistence on tax incentives as the major stimulus for CSR, as well as CSR as an essentially *voluntary* choice, was strongly emphasized during the Focus Group Discussions.

“[the government] shall by no means oblige anybody – a little good will just to offer some incentives, reduce taxes to let one do good for people – this is what government should do” (F.G. 2. Man. Age: 33. Employed in NGO sector.)

Remarkably, the issue of consumer awareness as a tool for stimulating CSR rated immediately after the arguments for tax incentives and creating a business-friendly environment. This can be considered as an early indicator of the emergence of CSR-friendly consumer behaviour patterns.

“The population should be more demanding – if we don’t like what the company does – we shall not buy their products” (F.G. 2. Woman. Age 32. Employed in Public Sector)

The argument for the “Government to create a fund for social projects to be supported by corporate donations” rated as high as the consumer behaviour argument (60%).

The frequency of such responses as “Government to oblige business to undertake CSR activities” and “Cooperation of companies with CSOs” ranked lower (51% and 37% respectively).

The demography of the responses is worthy of special attention. A remarkable 89% of individuals employed in the public sector, and 85% of those respondents who work in the private sector, refer to tax incentives as the major stimuli for CSR. The lowest frequency of this answer was observed with employees of the NGO sector.

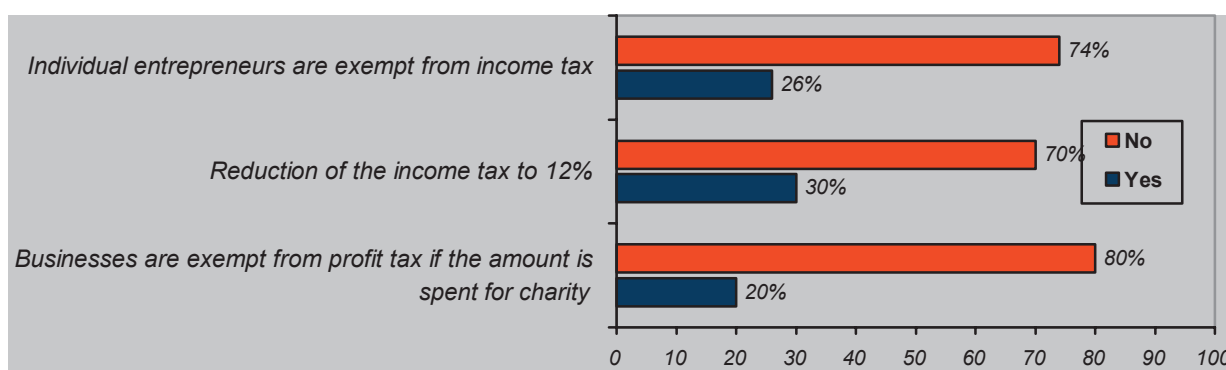
The frequency of answers that suggest government action which challenges the voluntary character of CSR, i.e. “Government to oblige business to undertake CSR activities” and “Government to create a fund for social projects to be supported by corporate donations” is inversely proportional to the strength of the educational background of the respondents.

Awareness

The study revealed a low awareness of the Tbilisi population with respect to the existing CSR incentive – exemption from profit tax in the case of “charitable activities”²¹. For the sake of simple comparison between awareness of the tax incentive for charity and the rate of awareness of other tax reductions and exemptions, the inquiry included questions regarding such major policy initiatives as the reduction of income tax to 12% and the full exemption of individual entrepreneurs from income tax (see results in *Chart 18*).

²¹ The law states that companies are exempt from 8% profit tax for the amount donated to charitable organizations.

Chart 18: Awareness of tax incentives including tax incentive for charity (“Have you heard of the listed tax exemptions?”)

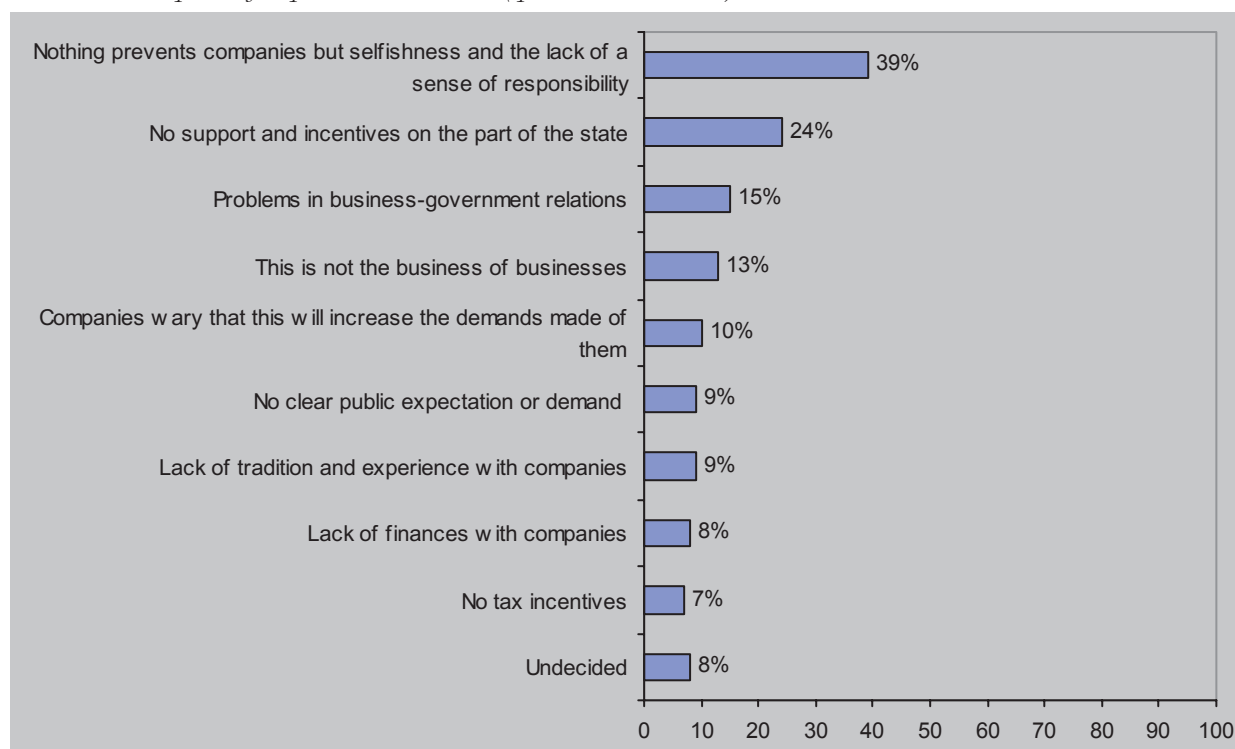


Only 20% of the respondents had heard about tax incentives for charity, compared to similarly low figures of a 30% awareness level for the reduction of income tax, and a 26% awareness of the exemption for individual entrepreneurs.

X. IMPEDIMENTS TO CSR

The inquiry into impediments for CSR targeted the 47% share of respondents who considered that, in Georgia, companies currently “take care of profit maximizing only” and are not receptive to CSR (Chapter 4.6 *Chart 7*). The majority of the responses (39%) identify a lack of will on the part of companies to internalize and practice CSR as the reason for the lack of CSR activities in Georgia. The second most frequent answer refers to the absence of particular incentives by the government for CSR activities. The frequency of answers that identify problems in business-government relations is 15%. A significant 13% argue that, largely, whether or not expected or demanded, CSR is not a natural function for businesses and this is why CSR activism is rare in Georgia. Another argument suggests that practicing CSR may have a counterproductive effect, that is, to inflate expectations of and demands on CSR-friendly companies, which may put them in a no-win position. Lack of funds (8%) and no tax incentives (7%) were the least frequently referred-to factors. However, it must be taken into account that the “no tax incentives” argument can be regarded as a subset of the “no support and incentives on the part of the state” argument that rated second from the top (24%). (*Chart 19* includes the entire dataset for the question).

Chart 19: Perception of impediments to CSR. (spontaneous answers)



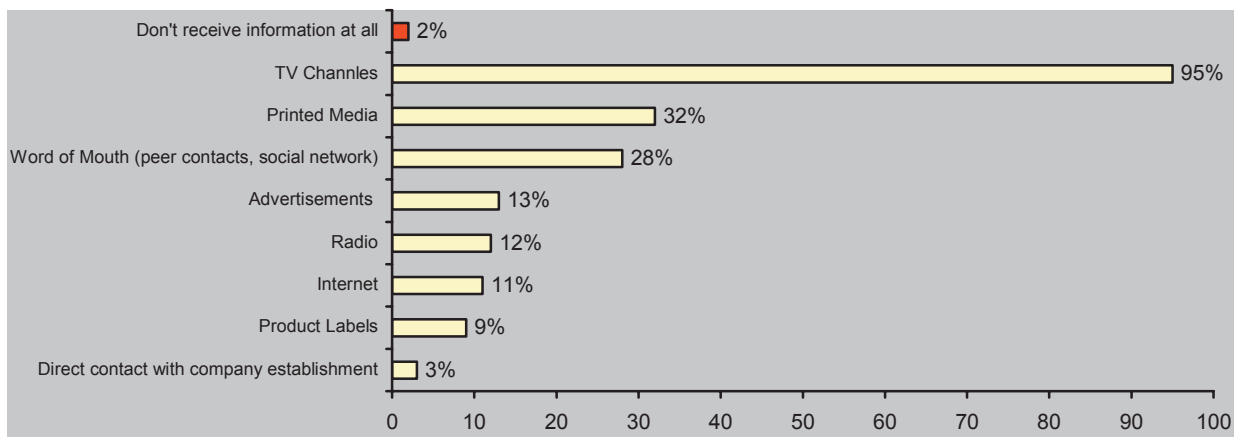
XI. INFORMATION REGARDING CORPORATE GIVING AND CSR

This chapter includes the findings related to the currently available and requested information about the private sector in general and CSR in particular. This includes: ranking the sources of information by intensity/frequency of coverage and public trust; the character of available information (“negative” vs. “positive”); the perception of whether the available information is sufficient; as well as whether Social Reporting is required and what forms would be preferred. This data is essential for planning CSR awareness activities and the promotion of particular CSR activities.

11.1 Ranking of the Major Sources and Media of Information

The majority of Tbilisi inhabitants (95%) receive information from TV channels. The relative weight of the printed media is 32%, followed by “word of mouth” channels – one’s peer contacts and social network (28%). Advertisement rated relatively low, at 13%, radio at 12%, the Internet at 11% and product labels at 9%. 3% of the respondents claim that they mostly receive information through direct contact with company establishments, and 2% that they don’t receive information about the private sector at all. (See *Chart 20*)

Chart 20: Information regarding the private sector and CSR by media.

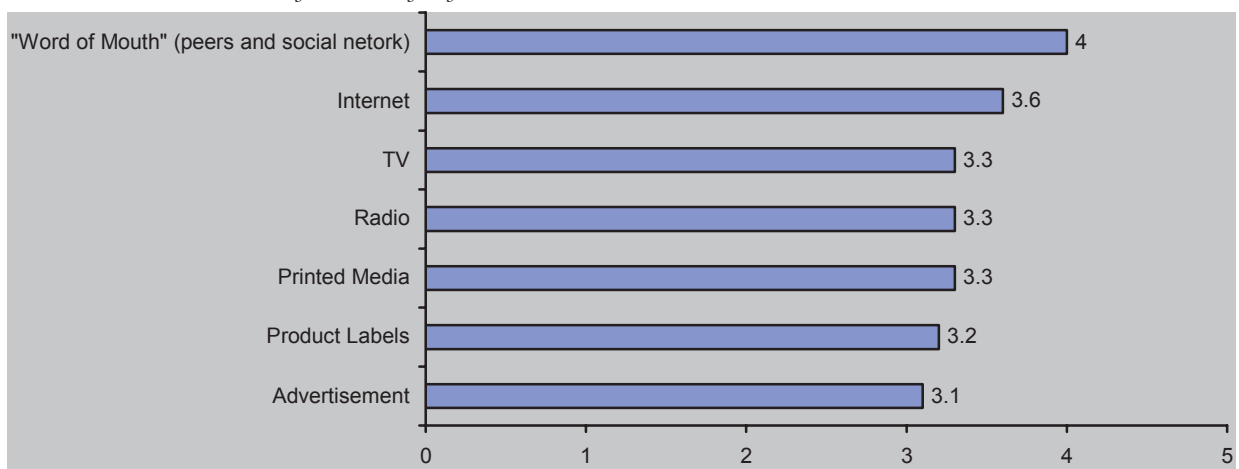


11.2 Trustworthiness of Available Information by Source

The respondents rated the trustworthiness of the sources/media of information listed in 10.1 above on a scale of 1 to 5. On the whole, all sources of information listed rated above 3.0 (average rating – 4). Interestingly, the respondents trust “word of mouth” (rating 4.0), i.e. peers and personal social networks which, it should be noted, rated only 28% for the amount of received information (see *Chart 20.* above), more than any mass media. Surprisingly, despite relatively low access to the Internet and the low rate for the amount of information available (11%) the second highest rating of 3.6 was given to the Internet as a perceived more independent, impartial and complete source than any other mass media. At the same time, it is possible that this high rate of trust is, ironically, due to the low rate of Internet access; the respondents may, to an extent, be idealizing the impartiality of Internet sources.

While the majority of respondents consider “quality of products and services” to be the major determinant of the success and reputation of a company (see 4.1 and 4.2 above), company advertisement and product labels are the least trusted. As for TV, the strongest media with a 95% coverage rating, it was assigned 3.3 and rated only third from the top together with printed media (32% coverage rating) and radio (12% coverage).

Chart 21: Trustworthiness of Sources of Information



Participants in the qualitative part of the study are sceptical of the ability of mass media to provide reliable, unbiased information based on fact. In addition, they suggest that the

disseminated information regarding Corporate Giving and CSR is largely a part of PR and advertisement, and thus cannot be taken as impartial and factually correct, and that any information submitted by a company needs to be checked rather than taken for granted.

“On the whole, what we get through mass media channels raises many questions. How can I have an attitude without getting information which is reliable and complete?” (F.G. 2. Man. Age 32. Employed in NGO sector)

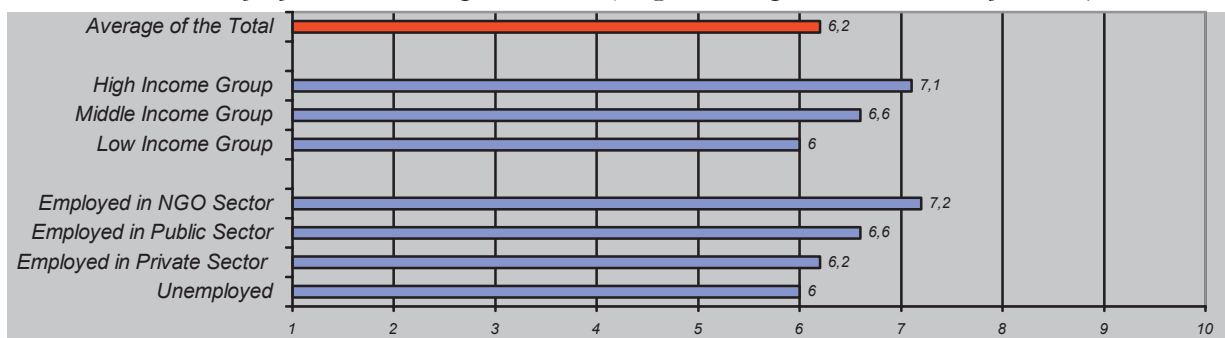
“There is no sufficient information... and I don’t know how reliable is it – nobody proved it and I didn’t check it either. I can’t trust the information provided by just anybody, and have to double check” (F.G. 1. Woman. Age 38. Unemployed.)

“Also, it depends on who is submitting the information, and for what purpose. If it is one’s rival or competitor, negative information is placed; if the company itself, it’s only positive. It’s hard to trust either of the two.” (F.G. 2. Woman. Age 35. Employed in Public Sector)

11.3 The Nature of Available Information – “Negative” to “Positive” Information Ratio

According to the respondents, information available on the private sector is largely positive (average 6.2 on a scale of 1 to 10). The respondents employed in the NGO sector, as well as the higher income group respondents, are more positive than others in their assessment of the nature of information presented. (See *Chart 22* below)

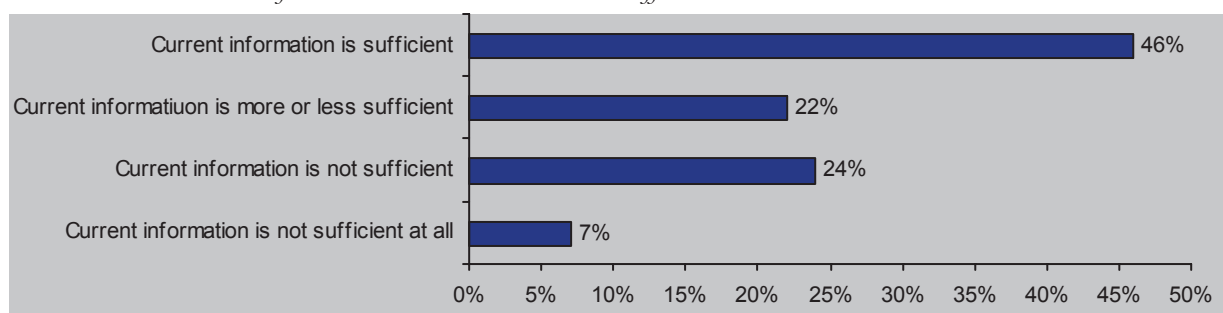
Chart 22: The nature of information on the private sector (“negative” to “positive” on a scale of 1 to 10)



11.4 Is Available Information Sufficient?

Almost one half of the respondents (46%) consider the content and amount of information on the private sector to be sufficient. However, more than a half demand more information (“current information is more or less sufficient”, 22%; “current information is not sufficient”, 24%; and “current information is not sufficient at all”, 7%)

Chart 23. Is Available Information on the Private Sector Sufficient?



Participants of the focus group discussions highlight the lack of information regarding companies on the one hand, and the superficiality and incomplete character of the available information on the other. The majority put forth and supported the argument that, by and large, the information available serves the purpose of advertisement and thus gives no answers to many questions, including those related to a responsible business operations approach in company practices.

“Well... yes, there is some information out there but this information is mostly [a part of] company PR. For example, I know nothing about what technologies are being used and how safe the products are which they produce. This type of information is not open and transparent” (F.G. 1. Man. Age 31. Unemployed)

A part of the respondents point out that media outlets have started covering business-related issues relatively recently and mostly on the “Business Courier” TV show.

“Until recently, there was almost nothing in the media but now, after they started that business TV Show – “Business Courier” – there is some interesting information on companies” (F.G. 1. Man. Age: 31. Unemployed)

Importantly, the respondents strongly suggested that a certain secrecy and lack of transparency on the part of the companies harms public trust toward the companies and that, since there are no watchdog institutions and the information placed in the media is mostly positive, there is a broad sense of lack of information that makes society inherently suspicious of companies.

“A lot of information comes from TV... but the thing is that this info doesn’t reflect the reality. Nobody talks about what, in reality, these companies do and how. Nobody knows it except for the companies themselves, and it’s not fair” (F.G. 1. Man. Age: 45. Unemployed)

11. 5 Expectations as to the Content of Information Demanded

The proportion of the respondents who indicated a lack of information was asked to spontaneously identify what kind of information, in terms of content, they would like to receive. As a result, 40% of the population demanded more information on the quality of products and services, that is, *how* the products and services have been produced. 20% of the respondents were eager to know more about the history of the companies, to ascertain whether the means by which the company gained success meets their (the respondents) perceptions of fair play. A remarkable 15% demanded more information on whether the company in focus is involved in Corporate Giving. 14% would be interested to learn more about the major shareholders of the enterprises. 13% inquired about the actual role and contribution of the company to the development of the country and society at large. The proportion of the respondents interested in

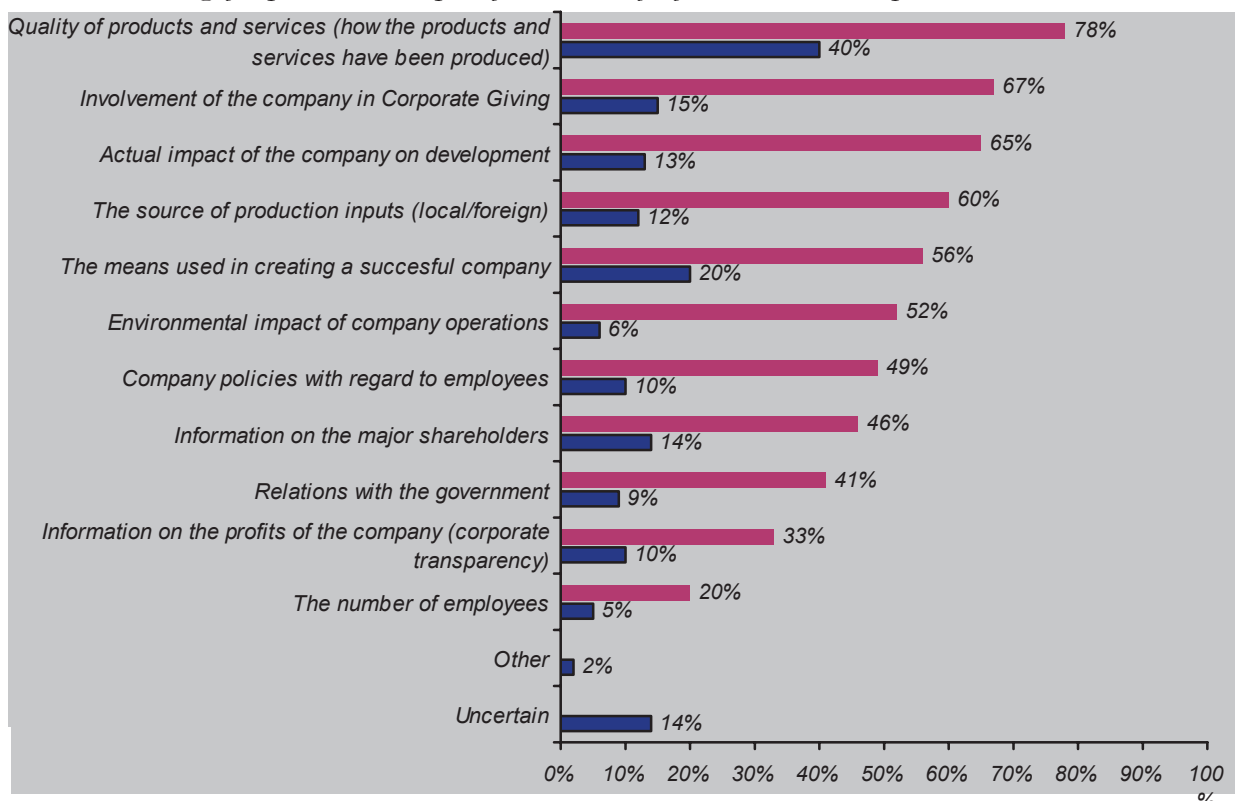
learning more about company practices with regard to employees and company profits is 10% for each, and only 6% demanded information on the environmental impact that results from company operations (see the data series highlighted in blue in *Chart 24*).

The patterns identified through spontaneous answers were confirmed when, in addition to spontaneous inquiry, the respondents were asked to rank the given answers from a list. Remarkably, the frequency of such responses as involvement in Corporate Giving; the contribution of the company to the development of the country and society; and the origin of the production inputs (local or foreign) was respectively 67%, 65% and 60%.

“I would like to know more about whether a company takes care of people and gives back some of its wealth to society with no pressure from anybody” (F.G. 1. Woman. Age: 39. Unemployed)

“As for me, I am really eager to learn what resources they [companies] use in their production. Georgia used to produce fruit, wheat and a lot more, right? We shouldn't be importing wheat, flour, fruit and meat as a minimum. It's ridiculous!” (F. G. 1. Man. Age 31. unemployed.)

Chart 24: Ranking of expectations in respect of the content of information about companies

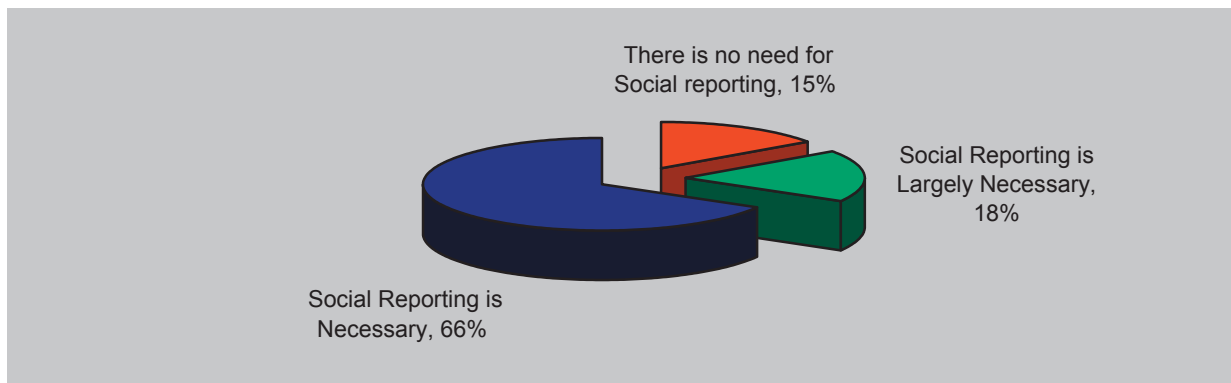


11.6 Demand for Social Reporting²² and CSR Information.

According to the data retrieved through the study, there is a clear expectation and demand for more information regarding CSR practices of companies, as a part of Social Reporting. 66% believe that it is necessary for companies to report their CSR activities openly to society, while 15% of the population see no need for such information. (See *Chart 25*)

²² The practice of publicly communicating a company's economic, environmental, and social performance; there is no single international standard in respect of this practice, which is relatively new for Georgia.

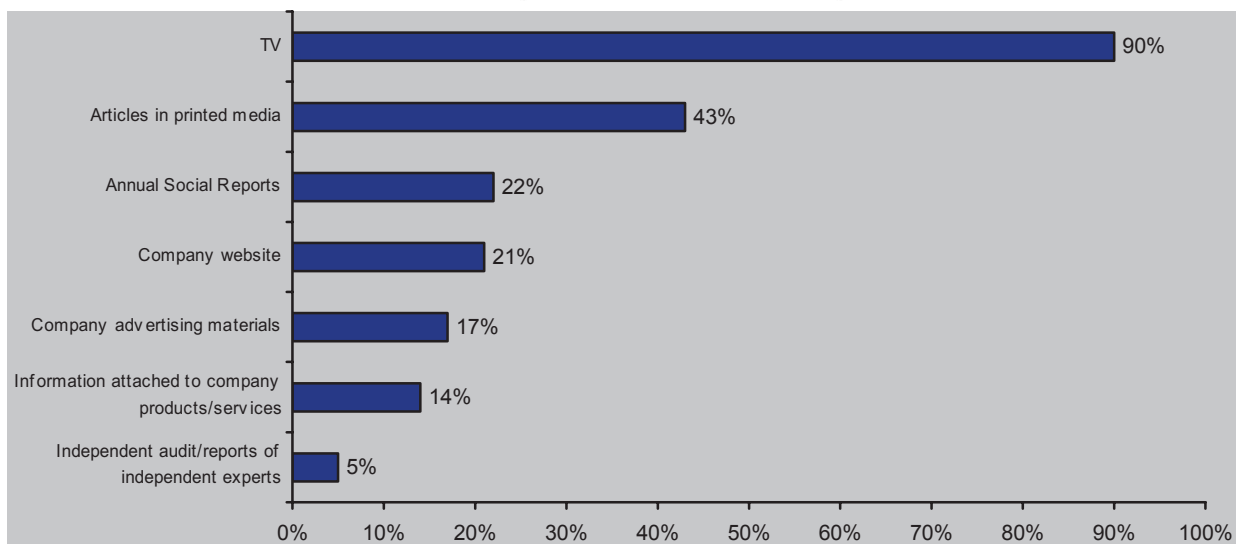
Chart 25: Public expectations for Social Reporting



11.7 Preferred Media and Sources to Meet Demand for Social Reporting and CSR Information

Those respondents who identified the need for social reporting were questioned regarding their preferred form/media for receiving this information. As a result, 90% would prefer television as the major medium of information. Despite the relatively low trust rating of television, the choice can be explained by easy access and intense information flow. 43% would mostly rely on printed media (See *Chart 20*, above). Remarkably, despite the fact that the publication of annual social reports still has to be introduced (currently practiced by a handful of companies), 22% expect to learn about company CSR from annual reports printed and placed on the Internet. 21% expect companies to place the relevant information on a website, 17% to include information in corporate advertising materials (booklets, brochures), 14% expect the information somehow to be attached to company products and services, and only 5% would prefer independent audit reports as the best source of information (See figures in *Chart 26*).

Chart 26: Preferred media and sources of social reporting and information in respect to CSR activities.



Society is not sufficiently informed about companies and their responsible business practices, while demand for information regarding Corporate Giving exceeds the current supply of this information. Respondents expect much more information to be available on particular aspects of Corporate Giving in general and CSR in particular. However, there is no clear demand for a significant increase in the intensity of information flow. In terms of content, the information on

quality, that is, *how* products and services have been produced, is the most required. The interest toward more information regarding Corporate Giving practices is evidently high as well.

The current provision of CSR-related information can hardly be assessed as satisfactory in its degree of outreach and impact on the general public. The majority of the respondents had heard about neither particular Corporate Giving and CSR activities nor development-friendly practise and policies of companies; a remarkable 45 -75% of the respondents could not identify the companies that practice particular areas of CSR, while the awareness of Corporate Charity and philanthropy is much higher (*Table 5*. Section 6.3). At the same time, the proportion of respondents who had heard of particular CSR activities but could not give the names of the companies involved is significantly high as well. It can be assumed that the quality of general public outreach in providing information on CSR activities by the companies is below satisfactory, which indicates the need to introduce proper Social Reporting and effective placement of the reports in various media channels and sources of information.

XII. CONCLUSIONS AND RECOMMENDATIONS FOR COMPANY MANAGERS AND PROMOTERS OF CSR IN GEORGIA

This chapter provides a summary of the analysis, both the terms and format of which are intended to offer practical recommendations to professionals - that is, both to company managers who see the pragmatic and moral value of CSR as an indispensable approach when building and operating a successful business, and promoters of CSR who believe that the promotion of responsible business practice, within both the local business community and society, has a potential, no less than that of international development assistance or policies of competent and democratic governments, to contribute to development. It addresses the most pragmatic questions as to the optimal courses of action, which are determined by considering how Georgians perceive CSR, the specific gaps between their expectations and perceptions as regards responsible business practice, and the gap between required and available information, as well as what sources and media of information prove to be more trusted and effective than others. For the sake of convenience, the recommendations for company managers are differentiated from those for CSR promoters.

12.1 The Meanings of CSR in Local Context

One of the major practical outcomes of the Study is that it allows for the mapping of various aspects of the ways in which Georgian society perceives CSR and how it differentiates and prioritises between the areas of Corporate Giving. This information is valuable to company managers and CSR promoters to the extent that they need to understand the context in which they operate. More specifically, knowing which areas and forms of Corporate giving are more demanded than others helps company managers plan their CSR in an optimal way; in a way that responds to the needs of society and thus helps optimize the use of company resources while ensuring maximum benefit to both society and company image. Obviously, thorough understanding the local operational context – that is, the local logic in which CSR is considered a legitimate choice for businesses and even a requirement – is indispensable in ensuring effective awareness-building through the successful communication of ideas in the “language” and logical structure that have local appeal.

What the Tbilisi Population thinks about CSR

The study revealed that:

- The majority of citizens (72%) consider the **private sector as an important/relatively important player in development**.
- The expectation to perception gap as to the **role of business in development** is considerably high (93% of the respondents expect companies to be active players in development, while only 53% believe that businesses are in fact playing this role). The gaps measured in the areas of “supporting economic development”, “addressing social and socio-economic problems of society” and “Protecting the environment” are even higher. The Tbilisi population gives credit to “big” business for “supporting economic development”, “addressing the social and socio-economic problems of society” and “Protecting the environment” but it requires companies to be more active in these three priority areas.
- An overwhelming majority of respondents (93%) think that **CSR is a legitimate and necessary choice for companies** and that, in addition to the primary objective of maximizing profit, and conforming to current legal requirements, companies should assume a voluntary responsibility for addressing the needs of society and take into account developmental implications in the process of decision making and business operations.
- Companies are implementing far fewer CSR projects and activities than expected by society. **The expectation to perception gap for CSR** activities in Georgia is significantly high as well.
- CSR and Responsible Business Practices approaches **strongly determine company reputations and trust** within the local society.
- Respondents clearly regard **CSR as the choice of “Big Businesses” rather than SMEs**, which are perceived as being too weak to respond to public demand or produce a tangible impact. However, SMEs are expected to practice CSR to whatever extent possible.
- **Three legitimate areas for CSR** were identified: “supporting economic development”; “addressing social and socio-economic problems of society” and “protecting the environment”.
- **The most frequently cited Forms of Corporate Giving and CSR are:** addressing the needs of economically vulnerable groups, practicing effective corporate charity, creating decent working conditions and a system of corporate welfare for employees, supporting improvement in the education and healthcare sectors, hiring a local workforce as opposed to importing workers, building local supply chains/using local raw materials and production inputs as opposed to imports, assisting local farmers and SMEs by various means, repairing damage caused by company operations.
- For many interrelated reasons other than ignorance and denial of importance, respondents do not consider **Human Rights, Labour Rights, and Anti-corruption** as being priorities for CSR in Georgia.
- Although **Corporate Charity** is a more common form of Corporate Giving, citizens have a strong preference for **CSR activities** that provide sustainable results

in the long-term. However, at the same time respondents see particular advantages in the **practice of a combined approach** to address a wide spectrum of problems effectively.

- Engagement of a company while **using its own human and financial resources** is seen as the most effective and reliable way of implementing a CSR project, followed by partnership with government, partnership with other companies, partnership with CSOs, and lastly with international organizations.
- Despite the fact that the CSR concept is new to Georgian society and no significant awareness campaign has been implemented, the ‘folk tradition’ includes almost the entire argument for why a company should be motivated to practice CSR. In the first instance, respondents identify such most tangible **pragmatic benefits as consumer loyalty and improved public relations** followed by the **social solidarity** argument – which implies that business has to voluntarily “give back” to the community the benefits it reaps through using public resources.
- The majority of the responses emphasize the **decisive role of the government in creating stimuli for CSR**: “The government should introduce tax incentives for companies that implement CSR” (81%); “The government should create a business-friendly environment in which companies will practice CSR truly voluntarily without any outside guidance” (72%); “The government should create a fund for social projects; business should donate corporate money” (60%); “The government should oblige business to undertake CSR activities” (51%).
- **Awareness of existing incentives** for Corporate Giving is low (20%).
- Factors referred as the **impediments to CSR in Georgia** include the lack of will and experience on the part of companies (39%), problems in business-government relations (15%), the risk of inflated expectations and demands on CSR-friendly companies (8%), and no tax incentives (7%).

What does this mean for a company manager in Georgia?

- Since the majority of citizens believe that companies have a role to play in development, CSR is a legitimate and necessary option for companies and an expression of social solidarity that determines company reputation with consumers and provides for such pragmatic benefits as consumer loyalty and endorsement, plus improved public relations. Internalizing CSR in company management and practices in response to public demand is a precondition for the success of a company in the market.
- CSR is more important for “big companies” as society is more demanding of them. However, SMEs are expected to do their best as well.
- In response to current public demand, “Supporting economic development”; “addressing the social and socio-economic problems of society” and “protecting the environment” are the **priority areas of engagement** in which companies are likely to be most effective in terms of both developmental impact and the strengthening of company reputation within society.
- The range of possible **particular activities within the priority areas** is wide. It includes, but is not limited to, addressing the needs of economically vulnerable groups,

practicing effective corporate charity, creating decent working conditions and a concern for the corporate welfare of employees, supporting improvement in the education and healthcare sectors, hiring a local workforce as opposed to importing workers, building local supply chains/using local raw materials and production inputs as opposed to imports, assisting local farmers and SMEs by various means, and repairing damage caused through company operations. International corporate experience with particular activities is rather rich, and a substantial amount of information is available through various sources, including those of the UN Global compact. The relevant information is available at www.unglobalcompact.org and through the Centre for Strategic Research and Development of Georgia (CSRDG), a partner organization of the UN Global Compact in Georgia (www.csrgd.ge)

- It is true that corporate charity is the most common form of Corporate Giving in Georgia. However, importantly, a majority of citizens believe that **a combination of Charity coupled to CSR activities** that provide long-term benefits is strongly preferable to mere charity. Thus, in the process of building or restructuring the Corporate Giving of a company, and to ensure maximum impact and benefits from the use of company resources for Corporate Giving activities, it is recommended that a combined package is designed that includes well-structured CSR as a major component.
- A majority of the respondents consider practicing CSR while using its own resources as potentially the best option for a company. However, they regard partnership with the government and CSOs as a legitimate alternative that could be considered, depending on the particular case. According to international practice, **partnerships** with government and/or CSOs prove very effective, since it often helps optimize the use of company resources, reduce costs and increase effectiveness (especially in case of the involvement of CSOs that can contribute operational, geographic area-specific or community-specific knowledge and experience).
- Since the majority of citizens support and demand corporate Giving and CSR practices, and at the same time are convinced that the government can and perhaps should create incentives for CSR, a company, a group of companies or a business association that may consider **lobbying for CSR incentives** can rely on broad public support. This support can be gained in partnership with CSOs. Studying international experience of providing various forms of CSR incentives may prove very useful.

What does this mean for a promoter of CSR in Georgia?

- Despite the fact that CSR awareness in Georgia is low, no large-scale CSR awareness campaign has been held in Georgia; there are no consumer pressure groups, no watchdog institutions, and consumer awareness is at an embryonic stage. Nevertheless, since the majority of citizens demand CSR, **general public attitudes are conducive of building CSR awareness** effectively and within a reasonable timeframe.
- Local CSR and Corporate Giving discourse is different from the standard international corporate discourse, which reflects the difference in economic, socio-economic, economic-cultural and institutional conditions between a developing country like Georgia and Western post-industrial societies. Sensitivity toward these differences and the **ability to introduce and promote the idea of CSR “in the language of” the local discourse** may prove crucial for success, inasmuch as such an approach allows for the effective communication of ideas. Further objective-specific research and the involvement of local experts of Georgian society in the design and implementation of CSR awareness campaigns may prove effective in this regard.

- It is true that SMEs are weak in Georgia and public expectations for **SMEs to practice CSR** are respectively low. These factors should be taken into account while planning the promotion and practice of CSR by SMEs.
- “Supporting economic development”; “addressing the social and socio-economic problems of society” and “protecting the environment” are three major themes that constitute local CSR discourse in which Human Rights, Labour and Anti-Corruption are not considered relevant. It is recommended that the strategy of any CSR promoter responds to public interest and demand by providing extensive information (definitive logic, best practice, a variety of potential arrangements etc.) on the three areas considered top priorities locally. Similarly, **integration of the remaining currently absent areas (Human Rights, Labour and Anti-Corruption)** into the local CSR discourse should be done gradually through examples and logic that fit local conditions and understanding, and starting by building basic awareness and recognition of these areas as a relevant part of CSR.
- Clarifying the **difference between Corporate Charity and CSR** is obviously an important aspect of building CSR awareness, especially in societies where the understanding of this difference is vague, and Charity is much more common. However, it may prove counterproductive to promote CSR in such a way that it de-legitimizes Charity. The optimal strategy for awareness building may be to present the two aspects of Corporate Giving in such a way that the advantages of CSR for a wide range of cases is presented equally persuasively to company managers, the government, CSOs and the general public.
- It is evident that society lacks awareness of the benefits of **multi-stakeholder partnerships in practicing CSR**. It is important for a promoter of CSR to develop a good understanding of the interplay of factors that give rise to this gap. The benefits of such a partnership should be explained through general logical argument as well as the extensive use of particular real life examples from international and local practice.
- The majority of citizens support and demand corporate Giving and CSR practices and at the same time are convinced that the government can and perhaps should create incentives for CSR. This creates a potentially conducive background for activities aimed at **lobbying for CSR incentives** as a part or extension of any public awareness campaign.
- The expert study of the **Current impediments to CSR** is necessary for active promotion and lobbying for a CSR-friendly environment.

12.2 Media and Sources of Information

Obviously, the degree to which the CSR activities of a company are recognized by society, and even immediate beneficiaries, and the degree of success in building CSR awareness nationwide, strongly depends on the proper presentation of the relevant information. The Study produced data on the shortfall of information required by ordinary citizens according to areas and forms of CSR, as well as what media sources are more effective than others. Thus, this data is equally useful for company managers and CSR promoters.

- **Society is not sufficiently informed** about companies and their responsible business practices. Demand for information regarding Corporate Giving exceeds current supply. The current provision of CSR-related information can hardly be considered satisfactory in respect to the degree of outreach and impact on the general public. Almost one half of the respondents (46%) consider the content and amount of information on the private sector sufficient. However, more than a half demand more information (“current

information is more or less sufficient”, 22%; “current information is not sufficient”, 24%; and “current information is not sufficient at all”, 7%).

- Respondents **expect considerably more information on particular aspects of Corporate Giving in general and CSR in particular**. However, there is no clear demand for a significant increase in the intensity of information flow on the private sector in general.
- **The rating of media and information channels** (for information on the private sector) is as follows: TV, 95%; printed media, 32%; “word of mouth” channels – one’s peer contacts and social network, 28%; advertisement, 13%; radio, 12%; internet, 11%; product labels, 9%; direct contact with company establishments, 3%; and 2% claim they receive no information.
- Interestingly, the respondents **trust** “word of mouth” sources – i.e. peers and personal social networks, more than any mass media. Surprisingly, despite relatively low access to the Internet and the small amount of information available, the second highest rating of 3.6 was given to the Internet as a perceived more independent, impartial and complete source than any other mass media.
- As for the content of the demanded information, information regarding involvement in Corporate Giving; the contribution of the company to the development of the country and society; and the origin of the production inputs (local or foreign) was the most demanded (the frequency of answers were, respectively, 67%, 65% and 60%). A 20% share of the respondents are eager to know more about the history of companies to ascertain whether the means by which success of the company was achieved meets their (respondents) perceptions of fair play. A remarkable 15% demand more information on whether the company in focus is involved in Corporate Giving. 14% would be interested to learn more about the major shareholders of the enterprise. 13% inquire about the actual role and contribution of the company as regards the development of the country and society at large. The share of the respondents interested in learning more about company practice with regard to employees and company profits is 10% for each, and only 6% demand information on the environmental impact that results from company operations.
- According to the data retrieved through the study, there is a clear expectation and demand for more information regarding company CSR practice in the form of **complete Social Reporting**. 66% believe that it is necessary that companies openly report their CSR activities, while 15% of the population see no need in such information.
- The rating of the **information media for Social Reporting** of companies is as follows: television -90%; printed media - 43%; printed annual reports - 22%; reports placed on internet/company websites - 21%; corporate advertisement materials (booklets,

brochures) - 17%; somehow attached to company products and services - 14%; independent audit reports - 5%.

What does this mean for companies practicing CSR?

- The demand for complete information on Corporate Giving and CSR is evident. The data of the study serves as a justification for **providing more information as a part of company public relations** as opposed to merely following a western “fashion trend”.
- Obviously, TV channels are the most effective **media of information in terms of outreach** and, consequently, proper coverage of company CSR on TV should be provided. At the same time, given the high rating of “word of mouth” sources of information in terms of trustworthiness, building awareness of the CSR practices of a company among its employees should not be ignored (Georgians tend to trust personal sources of information more than mass media, and ensuring that employees spread the message may prove very productive). Printed media and radio should not be ignored either but, taking into account the high level of trust toward Internet sources revealed through the study, it is necessary to ensure that properly structured information on company CSR and Corporate Giving is placed on company websites and those of business association(s) the company may be a member of, as well as online business news outlets.
- Given the strong interest of the general public regarding **how products and services are produced**, as much information as possible on a CSR approach in company operations and production cycles should be placed on company websites, in advertisements, on product labels, in media coverage etc. Given the evident interest of an average citizen, the placement of this information is a strong advertisement in itself. In terms of content, in addition to how the products and services are being produced, information on the actual role and contribution of the company to the development of the country and society at large, plus the way a company cares for its employees and the environment, will prove beneficial as well.
- The strength of demand for proper **Social Reporting** is clear and evident. Meeting this demand will prove advantageous in strengthening the reputation of the company and the trust of consumers. Developing Social Reporting of the company at the current stage, when this practice is not yet widespread in Georgia, confers an additional benefit – it places the company among the leaders who follow the requirements of the time more promptly and effectively than others (including competitors). Social Reports are produced once a year (by the end of every calendar year) and the process of writing can be conducted by PR and/or CSR managers, Managers for Media Relations or other line managers. Technical skills for Social Reporting are easy to acquire through simple, brief training programmes. In addition to private consulting firms, from December 2007, relevant training will be provided by the Centre for Research and Development of Georgia (CSRDG).
- For effective outreach of information, **various media sources** should be used for disseminating information contained in a company’s social reports, or for providing reports in full if/when relevant. These include TV, printed media, company websites and Social reports published as hard copies (full versions of reports).
- **Independent audit reports** may serve as a substitute for Social Reports produced internally within the company. Some consulting companies provide independent social audit services.

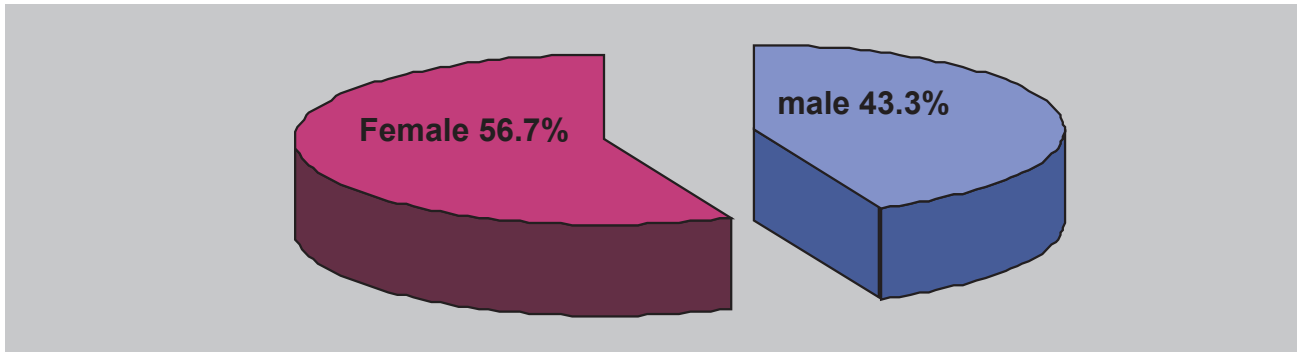
What does this mean for a promoter of CSR?

- The demand for comprehensive information on Corporate Giving and CSR is evident; the data of the study can serve as a justification for **public awareness activities as driven by demand**, as opposed to being imposed from outside.
- Concentrated and well-planned **nationwide CSR awareness campaigns**, including extensive media coverage and, possibly, public advertisement (especially on TV), is likely to prove effective, as opposed to small-scale activities of narrow outreach and instruments limited to seminar activities and publications for distribution.
- In terms of **form and content in promoting CSR**, it is necessary to combine the logic of a “moral choice for common good”, with real life examples.
- Consulting the data of the Study regarding the **ratings of media and information sources by the degree of outreach and public trust** may prove very helpful when deciding how best to disseminate information to increase public awareness.
- The ranking of priorities in regard to the specific CSR information demanded, as revealed through the study, should be taken into account while developing a **thematic range of CSR Public Awareness campaigns**. The priorities, as determined by the general public (respondents), should be addressed in proportion to the degree of interest.
- Promoting the benefits of social reporting will clearly meet the demand on the part of both companies and the general public. In the current context of Georgia, the promotion of Social Reporting in itself may prove an effective method of promoting CSR awareness on a large scale.

XIII. DEMOGRAPHY OF THE STUDY

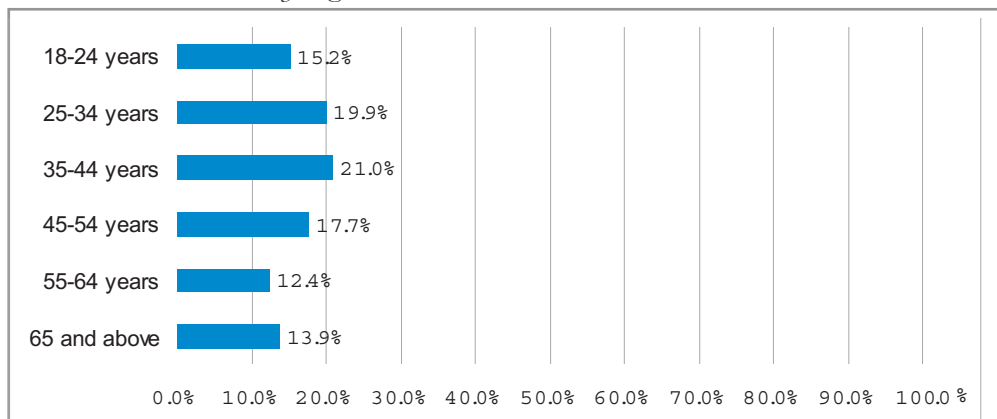
More than a half of the respondents (57%) is male, 43% being female (see *Chart 27*).

Chart 27: Breakdown by Gender



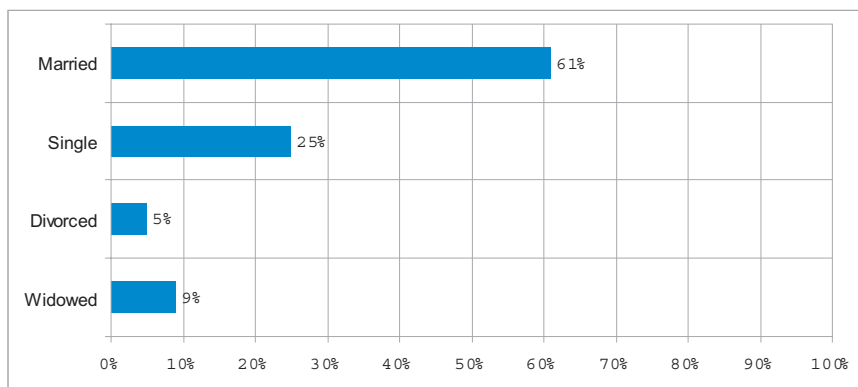
The majority of respondents were between 25 and 54 years old (see *Chart 28*).

Chart 28: Breakdown by Age



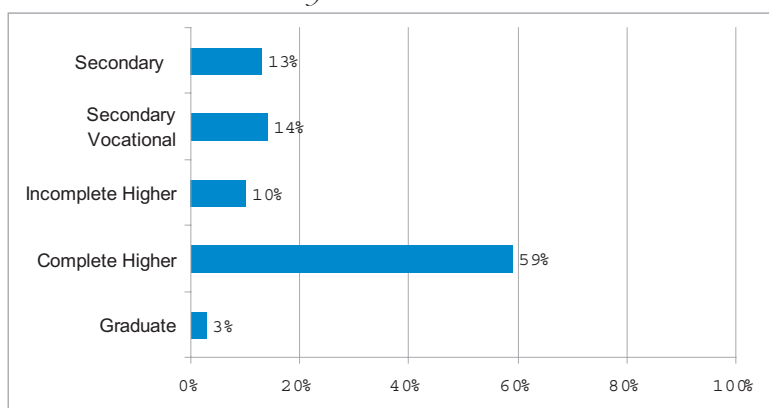
As for the marital status of the respondents, the majority, 61% are married, 25% single, 5% divorced, and 9% widowed (see *Chart 29*).

Chart 29: Marital Status



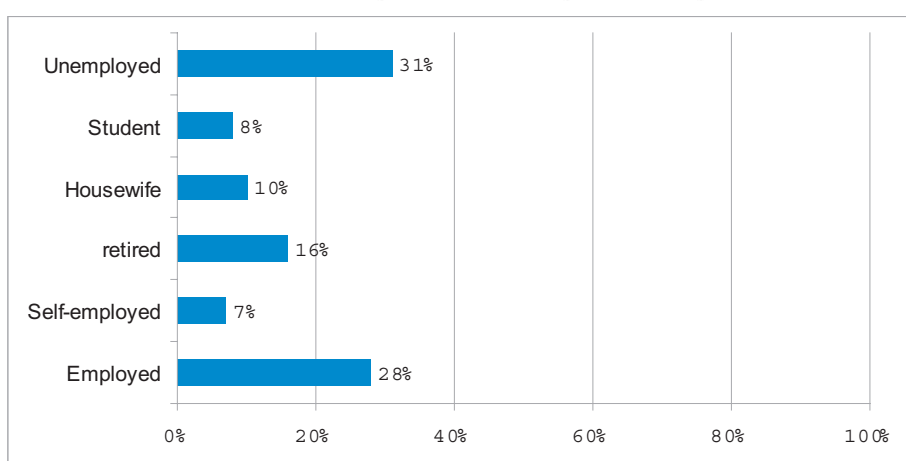
The majority of respondents have higher education (59%). The proportion of the respondents with secondary (13%), secondary vocational (14%), incomplete higher (10%) or graduate level education is relatively low (see *Chart 30*).

Chart 30: Breakdown by Education



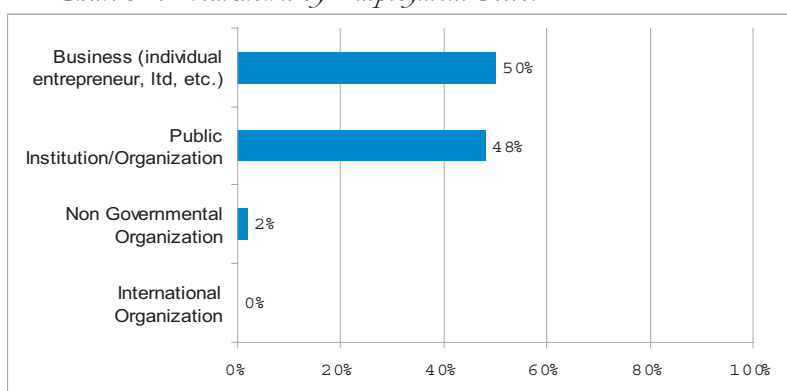
About three in every ten respondents (31%) are unemployed, while students (8%), housewives (10%) or the retired (16%) taken together make up a considerable share. 28% work for employers, while 7% are self-employed (see Chart 31).

Chart 31: Breakdown by Employment Status (primary occupation)



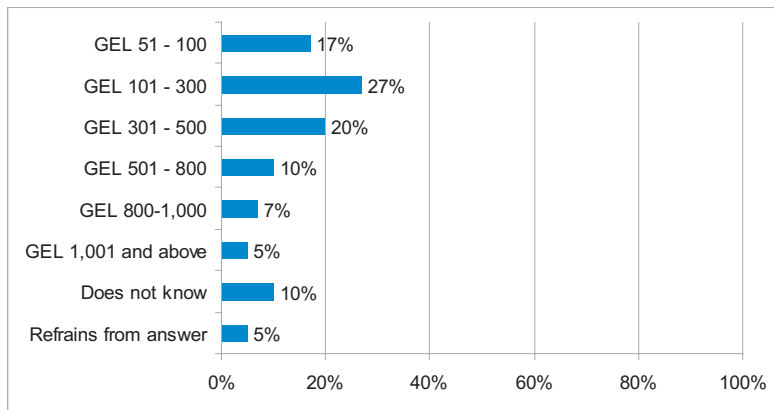
As for the sectors of employment, respondents were employed either in the private sector (50%), or in the public sector (48%), the share of respondents employed in Non-Governmental Organizations is only 2% (see Chart 32).

Chart 32: Breakdown by Employment Sector



The average household income of a relatively large proportion of respondents was 100-300 Georgian Lari per month for the last year. The share of respondents of low household income – average household income less than 100 Lari per month constitutes 17% (see Chart 33).

Chart 33: breakdown by Household Income



In addition to objective parameters, the economic status of the Tbilisi population was evaluated subjectively as well. Specifically, the respondents were asked to evaluate the financial situation of their households. The majority of respondents (66%) consider their households to be poor. 5% of respondents consider their households to belong to the high-income segment, while 24% regard their households as being in the middle-income group. It should be noted that objective and subjective evaluations of the level of household income of the household share a common tendency (see *Chart 34*).

Chart 34: Subjective evaluation of the financial situation of the household

