

**Corporate Social Responsibility (CSR) in  
Georgia:  
Public Perceptions and Expectations**

*Executive Survey Brief*



Tbilisi, 2007

## I. Objective and Approach of the Study

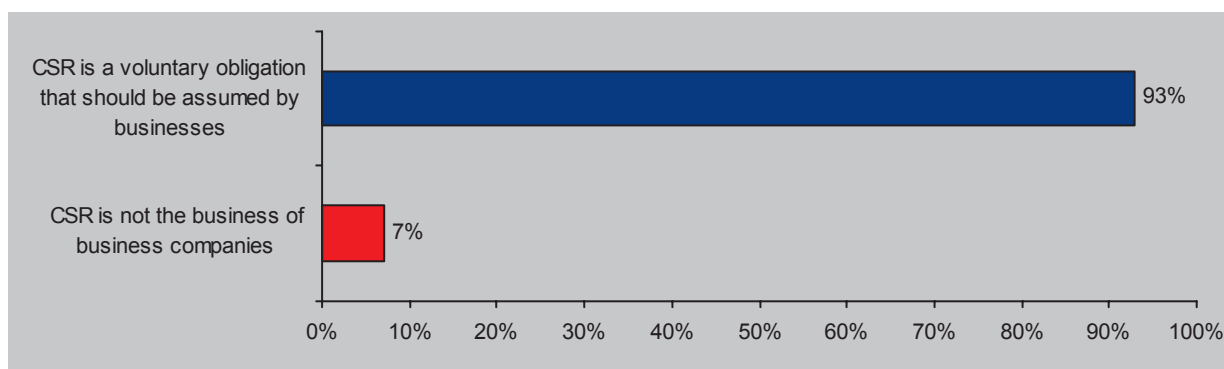
The majority of recent CSR studies target the *supply end* of Corporate Social Responsibility (CSR). In other words, they focus on the executives and managers of companies when inquiring into the relevant factors of corporate awareness and behaviour. Similar studies conducted in Georgia provide important information of practical value. However, a study targeting the *demand* for CSR is also required. The “Study of Public Perceptions and Expectations for Corporate Social Responsibility in Georgia”, conducted jointly by the Georgia Global Compact Network, The Centre for Strategic Research and Development of Georgia (CSR DG) and ACT Research, aims to bridge the existing information gap. The data generated by this study will help understand the character and structure of the demand for CSR on the part of society, and thus help private sector companies, the media and CSR activists effectively plan and strategize for CSR awareness-building in Georgia.

The Study focused on Tbilisi residents, as 80% of economic activity in the country is concentrated in Tbilisi, and the Tbilisi population constitutes 25% of the population of Georgia<sup>1</sup>. 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. Furthermore, given the character of the research objective, a standard combination of qualitative (public opinion survey) and quantitative (focus group discussion) methods was selected.

## II. General Attitude towards CSR

Public opinion surveys and focus group discussion alike indicated 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 profit maximization and compliance with legal requirements, companies other than SMEs should assume responsibility for addressing the needs of society, and should also take into account development implications in the process of decision making and current business operations. The proportion of those who believe that it is not the business of business to be guided by development agendas, and that companies should adhere only to their legitimate concern of making profit, is 7%. (See *Chart 1* below).

*Chart 1.: Attitude towards CSR as a legitimate voluntary choice for the private sector*



Respondents regarded charity and philanthropy as the more common forms of corporate behaviour, informed by social solidarity and the enlightened self-interest, and as a means for “addressing the needs of economically vulnerable groups” – a priority that ranked number one in the set. Such an approach may

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<sup>1</sup> According to the data of the State Department of Statistics of Georgia as of January 1, 2006.

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 publicized. It is true that respondents did not clearly differentiate between charity and social investment. However, the respondents still generally identified 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 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. 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 respondents that CSR activities will improve company reputations within society, and in a 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)*

### III. Perceptions of CSR Priority Areas

Participants of the Focus Group discussions and respondents of the survey outlined the role of the private sector in development. This included “supporting economic development”; “addressing social and socio-economic problems of society” and “protecting the environment”. 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,<sup>2</sup> these include *Human Rights*, *Labour* and *Anti-Corruption*. It would be too simplistic and simply incorrect to assume that 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 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 moral choice of “enlightened” managers who claim a higher moral ground. The Law clearly bans the 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, since the problem of corruption has been traditionally understood as corrupt practices set up and driven by government officials, not by lobbyists and managers of businesses. Secondly, whilst not to suggest that tax evasion has been totally eradicated on a nationwide scale, although there have been dramatic improvements in combating tax evasion by companies in Georgia, fiscal agencies 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

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<sup>2</sup> Visit [www.unglobalcompact.org](http://www.unglobalcompact.org) or [www.globalcompact.ge](http://www.globalcompact.ge) for more information on Global Compact Initiative worldwide and in Georgia.

high rate of unemployment and poverty and the weakness of trade unions. Demand for jobs is much higher than the supply, 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 indulgent of child labour in rural household economies and rural and urban small trade sectors.

#### IV. Public Expectations for the Role of the Private Sector in Development

Charts 2, 3 and 4 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 2: Expectations towards major players in the area of “supporting economic development”

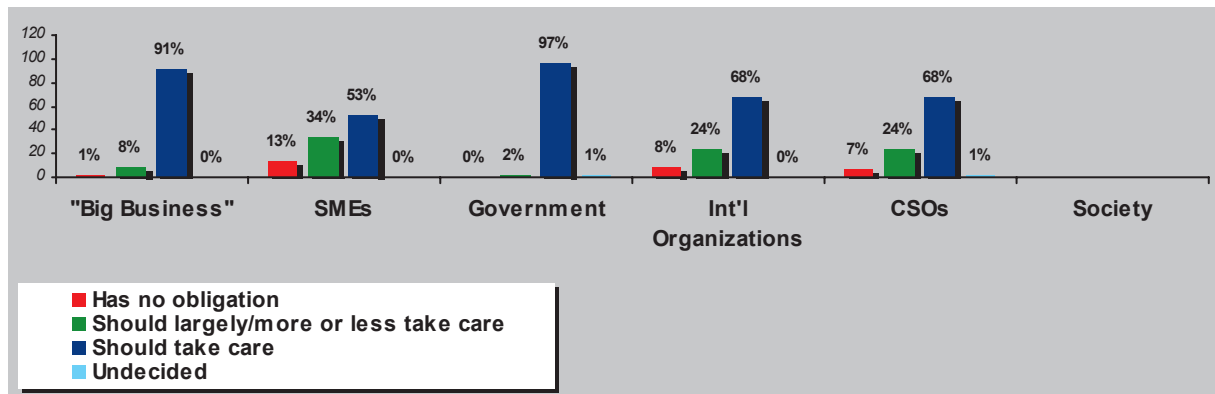


Chart 3: Expectations toward major players in the area of “addressing social and socio-economic problems of society”

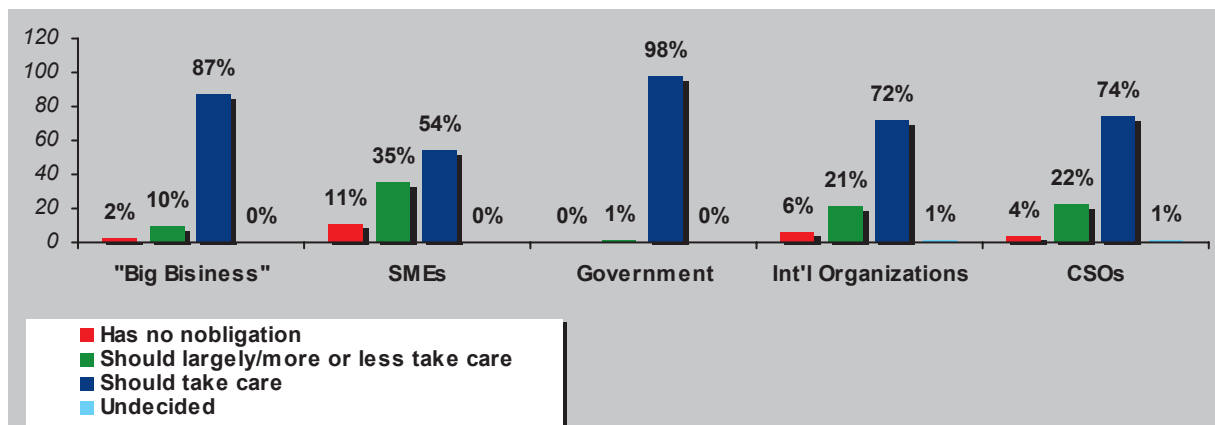
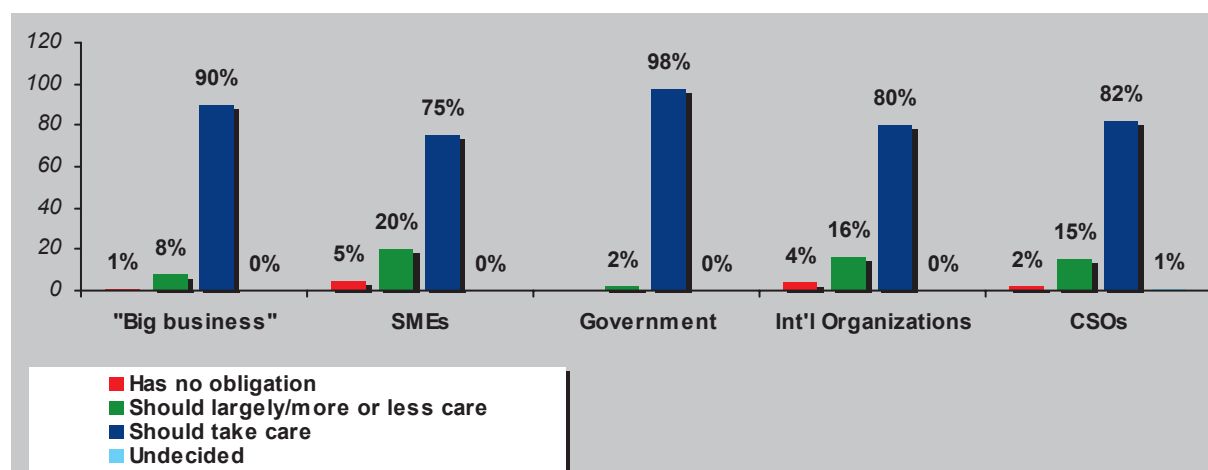


Chart 4: Expectations toward major players in the area of “protecting the environment”

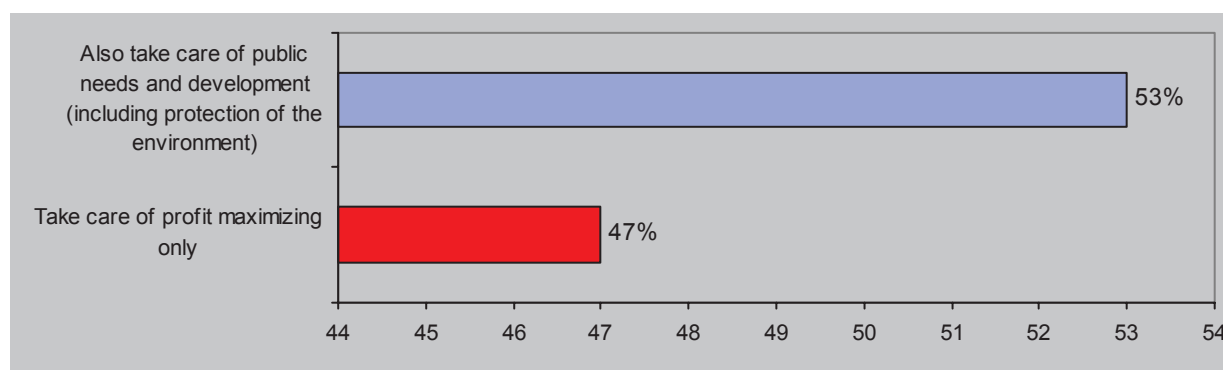


Ninety-one percent of respondents said that “big business” is responsible for economic development while 97% thought that the government is. The differential between the responsibility for “addressing social and socio-economic problems of society” is slightly higher; government - 98%, “big business” – 87%. As for “protecting the environment” the government to “big business” ratio is 98% to 90%.

## V. Perceptions of the Actual Role of the Private Sector in Development

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 5)

Chart 5: 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 the previous section.

In general terms, respondents acknowledged that all 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 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) in terms 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.

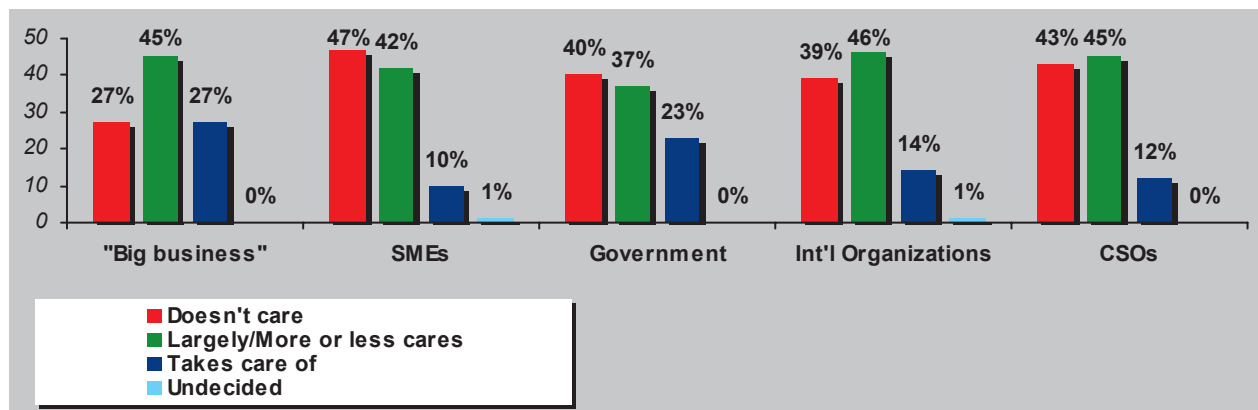
*Addressing social and socio-economic problems of society*

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 outsiders in the set.

*Chart 6.: Perception of the actual care/contribution of the major players in the area of “Supporting economic development”*



*Chart 7: Perception of the actual care/contribution of the major players in the area of “Addressing social and socio-economic problems of society”*

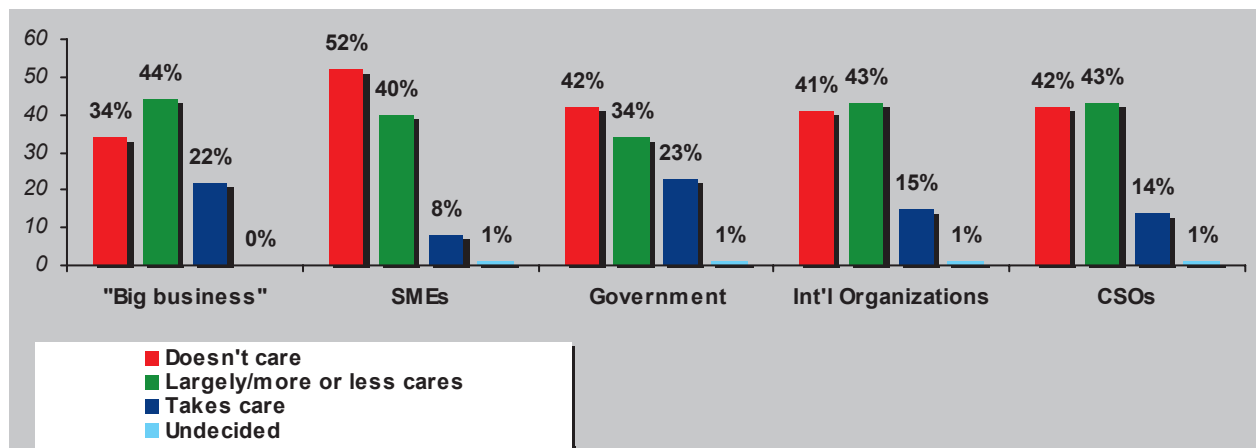
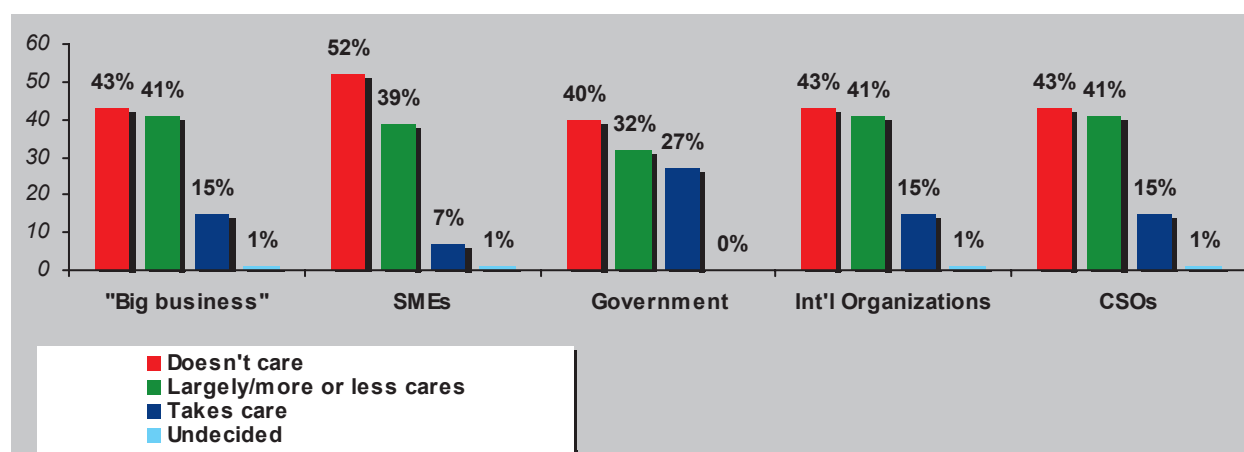


Chart 8: Perception of the actual care/contribution of the major players in the area of “Protecting the environment”



## VI. 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 maximizing profits, 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.

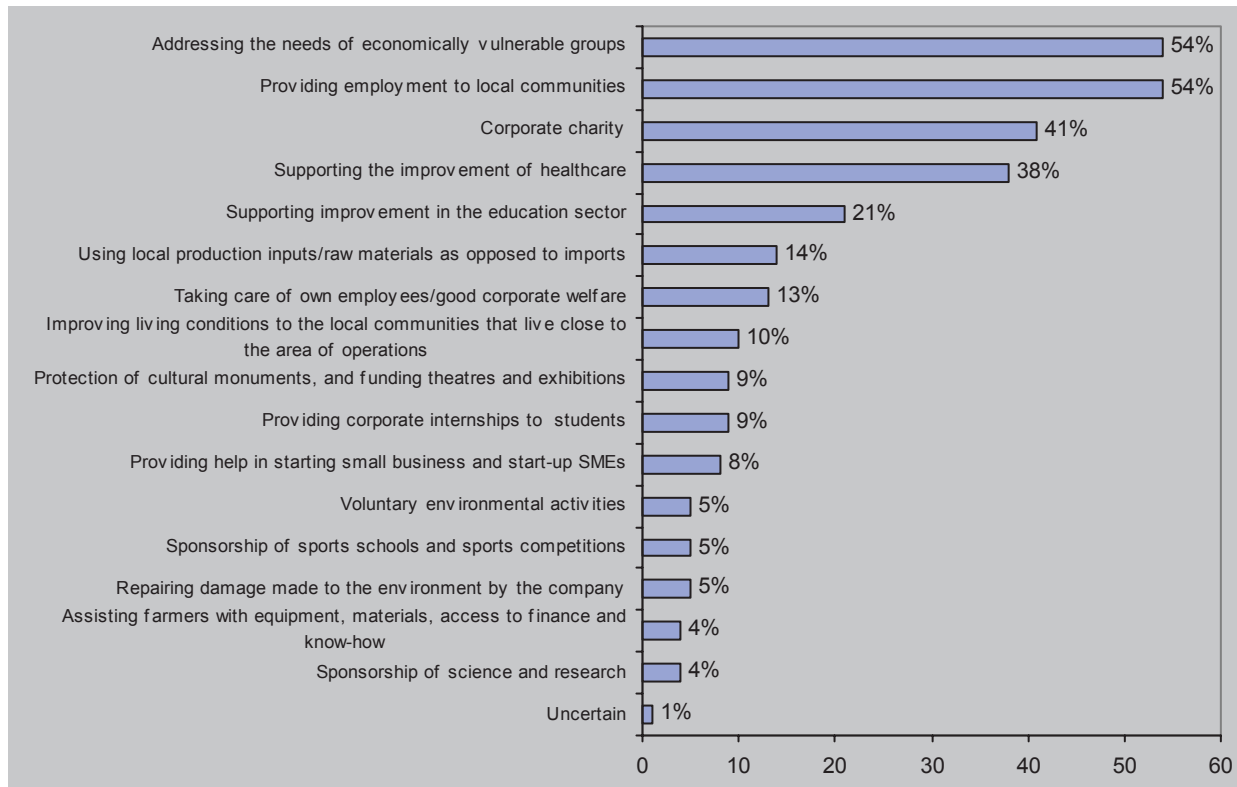
In the area of “Protecting the environment”, “big business” lags behind the expectations by 75%; government by 71%; CSOs by 67% and International Organizations by 65%. The expectation to perception gap for SMEs is 75% on definite expectation (“does/should care for” assessments). However, interestingly, 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).

## VII. CSR Areas Most in Demand

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 receiving 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 results are featured in the following graph.

Chart 9: Priority areas of responsible business practice as perceived by respondents (spontaneous answers)



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 to import 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 on 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)*

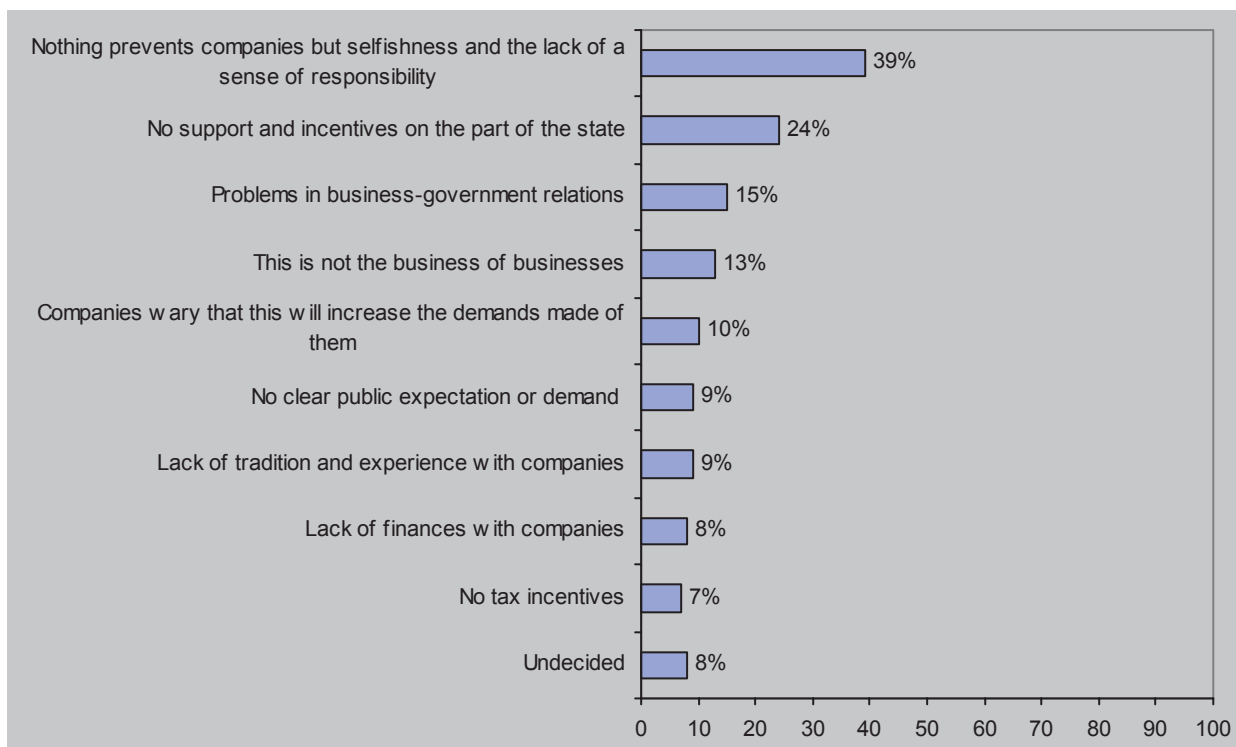
Low legal environmental restrictions and the lack of information regarding environmental problems were referred to by focus group participants as the major impediments for corporate environmental activities. According to respondents, quite often companies themselves are not fully aware of the environmental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

## VIII. Impediments to CSR

The inquiry on 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 10: Perception of impediments to CSR. (Spontaneous answers)



## IX. Conclusions and Recommendations

The study revealed that:

- 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.
- **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.
- 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%); “Government to oblige business to undertake CSR activities” (51%).
- **Awareness of existing incentives** for Corporate Giving is low (20%).
- The lack of will and experience on the part of companies (39%), wide-spread CSR practices in Georgia (39%), problems in business-government relations (15%), the risk of inflated expectations and demands on CSR-friendly companies (8%), and no tax incentives (7%) were the factors referred as the **impediments to CSR in Georgia**.

### ***Implications for Company Managers***

- 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. International experience in government of providing various forms of CSR incentives may prove very useful.
- 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 the corporate welfare of the employees, supporting improvement in the education and healthcare sectors, hiring 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](http://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](http://www.csrgd.ge))

- A majority of the respondents consider funding CSR from company resources as potentially the best option for a firm. However, they regard partnership with 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).

