

SOCIAL RESPONSIBILITY OF BUSINESS IN GEORGIA: DEVELOPMENT AND PROBLEMS

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crossref <http://dx.doi.org/10.5755/j01.em.18.2.3655>

Abstract

Recently the problems of the social responsibility of business and its part in the socio-economic development of the countries have been widely discussed all over the world. Currently international conferences, forums and numerous other public events dealing with the issues of the social responsibility of business have been held in all the corners of the world (Beliyeva, Eskindarova, 2008; Peregudov & Semenenko, 2008). The goal of the research is to evaluate how far this tendency has been reflected in the business practice of the Georgian companies. Nowadays, in Georgia, all efforts have been made in order to create an attractive and desirable business environment. Accordingly, it is crucial and represents the key element that all these efforts made about the ethical principles and the social responsibilities to be adopted and implemented into the practice of the business relations.

In the article is discussed numerous issues concerning the participation into the different businesses programmes for the corporate social responsibility, trends in order to develop the partnerships among the business sector, State and the NGOs.

Many Georgian companies are engaged in the charitable activities; they are sponsoring significant social projects as well as publishing the social reports. In December 2006, in Georgia, was launched the UN Global Compact and under its support the network of the socially oriented Georgian companies were created. Many companies have adopted the ethic code during the business conducting. They describe that the ethic principles and norms providing based on the activities of all employees of their companies – from the specialists to the top managers.

As a result, during the research three key factors limiting SRB development in Georgia have been identified: high taxes, absence of benefits and soft loans for the socially responsible organizations; lack of understanding of the significance of the social responsibility. In Georgia, there is no legislative framework for the charitable activities. The government's policy about charity remains unclear. In reality, the companies during their charitable work frequently come across to the significant bureaucratic obstacles.

It worth mentioning that the State is obliged to do its best to stimulate development of SRB in Georgia – tax exemptions, low credits for social projects, etc.

The support of the State in order to develop the social responsibility of business in Georgia, represents an important means for the sustainable development of the companies in the long run, also it will assist to activate the social investments from the companies, will enlarge the ground for the partnership between the State and business and also will make significant contribution into the attracting new sources for the sustainable growth of economics and finally, it will facilitate achievement of one of the key priorities of Georgia – integration into the European structures and its market.

The type of the article: Research paper.

Keywords: Social responsibility of business, Business environment, State, Georgia.

JEL Classification: M1, M14.

1. Introduction

Recently, the problems of the social responsibility of business and its part in the socio-economic development of the countries have been widely discussed all over the world. The international, governmental and social organizations are involved in the spreading the exemplary practice of the corporate social responsibility (CSR). The organizations were established for the purpose of the implementing the ethical principles and the social responsibility into the practice of business relations (European Organization of Business Ethics, Council for Sustainable Development of Business, Ethical Corporation, World Business Academy, Institute of Business Ethics in the UK, and International Centre of Social Responsibility at Nottingham University (UK) etc.). In the UK, a position of the Minister of Corporate Social Responsibility was established; in Italy, The Ministry of Labour and Social Protection and The Ministry of Ecology and Environment Protection; in Norway – The Ministry of Foreign Affairs with the support of Coordination Board of the State Secretaries are responsible for CSR. In 1999, project of Global Compact by the UN (Global Compact, 1999) was initiated. Any company, which assumed the obligation to follow the basic principles determining responsibility of a company specified in the Compact, was able to participate in Global Compact. In 2002, the largest 36 transnational companies signed the application on “corporate citizenship” recognizing necessity of the social responsibility of business (Khoperia, 2008). Currently the international conferences, forums and numerous other public events dealing with the issues of the social responsibility of business are organized in every corner of the world (Khoperia, 2012; Kurinko, 2011; Lielgaidina, Berzina, Geipele, 2012; Maignan & Ralston; Simanaviciene, Kovaliov, Palekiene, 2012; Voronina, 2012).

This trend was also reflected in the business practice of the Georgian companies. Many companies are engaged in the charitable activities; they participate into the sponsoring socially significant projects and publish the social reports.

The overall goal of this research: to evaluate how far this trend is reflected in the business practice of the Georgian companies.

The object of the article: the social responsibility of business in Georgia.

Research methodology: logical, content analysis of scientific sources and legal Acts, situational analysis based on the comparative method.

2. Development of the Social Responsibility of Business in Georgia

The social responsibility of business became the indivisible part of discussions in the society of the post-soviet area almost immediately after the USSR disintegration. In 1999-2000, the Foundation Horizonti (Tbilisi, Georgia), together with the Centre for Study of Charity under New York University and the Foundation Institute of Urban Economics (Moscow, Russia), carried out thorough study on the corporations' participation in the life of the local community (Lapteva & Liborakina, 2001). In Georgia Twenty-three national and international companies: Bank of Georgia, Georgian Wines and Spirits, Georgian Pipeline Company, Kartu Group, Medical Corporation Curatio etc. participated in this study. Activities of twenty companies and transnational corporations' offices (DHL International, Phillip Morris etc.) were studied in Russia. For the first time this kind of studies was held in Georgia; the results showed a quite unattractive picture of the Georgian enterprises, which are at the initial stage of entrepreneurship development – poorly developed business ethics, weak awareness, lack of confidence in the State authorities, tax evasion and ignoring of the law enforcement bodies. The basic form of SRB in the country was charity and its awareness in the other forms of the social responsibility was rather poor. We should underline that the origins of the charitable activities in Georgia comes from the distant historical past. The strong pre-revolutionary traditions (XI century) of the private charitable actions from the Georgian entrepreneurs (Zubalashvili brothers, D. Sarajishvili, T. Nikoladze etc.) were conditioned by the norms of the Orthodox Christianity, as well, as the opportunities of improvement their social status (Takalandze, 2006).

In 2004, over forty Georgian companies signed Georgian Code of Business Conduct (GCBC) which was developed within the programme of business ethics, funded by the US Trade Department and intended to create such business environment in Georgia, wherein the ethical business conducting would be highly appreciated. GCBC represents the set of key principles of business conducting as well as is a guideline for creation one's own code of business conducting for any company in Georgia (Georgian Code of Business Conduct, 2004).

In December 2006, the UN Global Compact was launched in Georgia, and under its support, the network of socially oriented Georgian companies was created. Global Compact impels the business circles to follow the fundamental principles of human rights, labour relations, environment protection and combating corruption in their activities. In recent years, thirty-six Georgian companies have joined Global Compact. The first who showed their interest were the foreign companies related to the international corporations, basically, the private ones and further the larger Georgian companies, like Nikora, Magticom, and Bank Republic etc. The NGOs, scientific organizations, professional associations as well are the members of the network.

In July 2009, within the framework of UNDO and the UN Global Compact the first national conference on the issue of the corporate social responsibility was held in Tbilisi. In the above-mentioned conference took part the Georgian and international companies, the business associations, the international donors, the representatives from the scientific circles as well as the government of Georgia. The conference participants considered the issue of the introduction of the social corporate responsibility practice in the country, also benefits providing by such practice for the individual companies as well as for the State economics. Later, in June 2009, The Centre For Strategic Research and Development of Georgia and The Eurasian Cooperation Foundation in Tbilisi organized a workshop on the corporate social responsibility, where the representatives of business were introduced the Global Reporting (GRI), according to which the world's leading companies prepare and issue the social reports. The goal of the workshop was to provide the Georgian business companies with the information about the social responsibility. Recently, in Tbilisi, was introduced a tradition of awarding the best business companies, wherein one of the nominations represents the company's social responsibility. In general, the numerous business forums, seminars and conferences were dedicated to the very issue in Georgia lately. In April 2012, The Centre for Strategic Research and Development of Georgia, with the support of the Friedrich Ebert Foundation developed a Manual for the universities about the corporate social responsibility (CSR) and its further integration into the educational programmes of the faculties of economics. The new edition considers the wide circle of issues related to the participation of the business into the programmes of the social responsibility. In particular, special attention is given to the planning and practical implementing of these programmes depending on the scale and direction of the business, based on both, like domestic as well as international practice. The goal of the Manual is to promote the competitiveness among the Georgian companies and the growth of social capital in the country. In addition, UNDP presented a new Manual for the Georgian businesspersons "Winning with Integrity" dedicated to the issues of implementation of the programmes of the corporate social responsibility. The representatives of Global Compact Network, the Georgian business companies as well as the other organizations actively participated in the development of the Manual.

3. The State of the Social Responsibility of Business in Georgia

These measures were effective – currently the social responsibility of business in the public is considered at all levels. Especially, the managers of the companies are well aware that in case of the equal quality and prices of the products people tend to make choice in favour of the products manufactured by the companies, which, in their opinion, are socially responsible for their products, personnel and make efforts to be socially attractive for the potential consumers, clients and stakeholders. Thus, within the framework of the social responsibility, one of the largest leading banks of Georgia – Bank Republic contributes into the development of the students' education. Together with the Caucasus University, the above-mentioned bank simplified the procedures for the

issuance of the students' credits. This allows young people with the limited financial capabilities to gain stable access to the higher education. In particular, the bank provides with the credits in Georgian Lari, with the individual schedules as well as with the reasonable interest rates for the bachelor and master programmes and here the main benefit represents that the credits are granted without any collateral. In September 2011, company Wissol (one of the largest business groups of Georgia, since 2007, has been involved almost in all spheres of energetics. Its sub-brands are Wissol Petroleum, Air Wissol, Wissol Gas, Wissol Gas Distribution. Wissol is the only company in Georgia with the International Quality Management Certificate ISO 9001-2008) which invested 25 million GEL into the development of the Georgian sport. In recent years cellular communication company Magticom (MAGTI has been performing the commercial activities. Since September, 1997 making significant contribution into the Georgian economics) has been funding those who are fond of skiing giant slalom competition, the winners of the competition have been given the valuable prizes by Magticom. In September 2007, Georgian Industrial Group and Bank Republic funded translation of the textbooks for the non-Georgian language schools (Samadashvili, Gedevanishvili, 2012; Shengelia, 2010). The list of the examples of the socially responsible practice of the Georgian companies is indeed great... However, we should admit that the mentioned incentives are frequently implemented in unsystematic way, without interaction with the State authorities, trade unions or non-governmental organizations.

The companies, enterprises, associations and funds permanently inform public about their charitable and sponsorship activities for the orphanages, educational and cultural institutions etc. Many companies rely on the ethical code during conducting their businesses. They describe that the ethical principles and norms provide the basis for the activities of all employees of the company – from the specialists to the top managers. Code – this is a guarantee of fair and unbiased attitude towards each employee of the company, its clients and market partners. For identification of the most significant directions of the corporate social responsibility the companies study the public needs, communicate with the opinion leaders, government representatives in order to make maximal contribution into the dealing with the acute social issues in the country.

In 2007, The Centre for Strategic Research and Development of Georgia, with the financial support of “OXFAM NOVIB” held the first significant study on the “Large Business in Tbilisi and Corporate Social Responsibility – Attitude and Experience” in Georgia, as the part of the project “The Social Responsibility of Business – Challenges and Prospects” (Large Businesses in Tbilisi and the Corporate Social Responsibility - Attitudes and Practices, 2007). In the course of the research, was discovered that charity remains the main form of SRB in the country, irrespective of fundamental transformations of the business environment. Absolute majority of the interviewed companies in Georgia specified their charitable activities as a motivation of their willingness to deal with the key social problems in the country. Many companies are willing to be maintained incognito. If any of the companies wanted to gain anything for themselves this would be the perfect benefit to improve their public image. For improving their companies' image, the Georgian business companies consider the charitable activities as the significant incentives.

Among the other charitable activities, these companies also were distinguished by helping the socially vulnerable groups and supporting the culture and arts. The resources used for corporate charitable activities were basically the traditional nature. Only insignificant part of the studied in Georgia companies had either special subdivision or special charity programme.

4. Conclusions

As a result, during the research three key factors limiting the SRB development in Georgia have been identified: high taxes, absence of benefits and the soft loans for the socially responsible organizations; lack of understanding of the significance of the social responsibility. In Georgia, there is no legislative framework for the charity activities (despite of numerous attempts for adopting a law on charity so far nothing has been reached). For example, the law supporting and stimulating development of the companies providing the jobs for the physically disabled people was

adopted in the Republic of Belarus (Role of the State in CSR Promotion, 2010). Was created customs space wherein the regulation of the labour payment barriers were removed and significant incentives were put into the social activities. Companies supporting the religious and budgetary organizations enjoy benefits. Great number of legislative documents have been adopted in order to regulate the social activities (Civil Code of Belarus, Presidential Directive #300 On Providing and Use of Sponsor's Assistance and Presidential Decree of 28.11.2003 #24 On Receiving and Use of Foreign Free Aid etc.). In Russia, all social expenses incurred by the companies are included into the total cost and respectively this fact reduced the tax profit. However, In Georgia, the entire charity activities are carried out only from the net profit. The government's policy about charity remains unclear. In reality, the companies during their charitable work frequently come across to the significant bureaucratic obstacles. Moreover, the government is regarding charity as an obligation of the business, and puts pressure on the companies, actually imposes on them the social obligations and demands certain "charitable" actions.

In conclusion, we would like to underline that nowadays, in Georgia, all efforts have been made in order to create an attractive and desirable business environment. There is also admitted that the State should use its all power in order to stimulate development of SRB in Georgia – tax exemptions, low credits for the social projects etc. This is the most effective way to motivate the socially responsible behaviour from the companies. The State participates in funding of the socially significant projects and programmes through subsidies, tax exemptions, lax credits; The State should take into consideration socially responsible practice of the companies during the selecting of companies for implementation of the social orders.

In addition, the State should:

- Cooperate in moving charity from the traditional unsystematic to the social investing level, thus contributing into the development of the society and must not force private sector to fulfil the social obligations if the law does not oblige otherwise;
- Support development of the civil society institutes through creation of an effective mechanism of the civil incentives funding, to form an mechanism for the dialogue and partnership creation between the State and business for popularization and promotion of the socially responsible business;
- Adopt the special laws for promoting and regulating SRB, which will be serving as a basis for the business and the governmental structures creation. For example: Belgium, Canada, Switzerland and Luxemburg operate special laws referring SRB including the means for SRB regulation stimulating.

Thus, the support of the State in order to develop the social responsibility of business in Georgia, represents an important means for the sustainable development of the companies in the long run, also it will assist to activate the social investments from the companies, will enlarge the ground for the partnership between the State and business and also will make significant contribution into the attracting new sources for the sustainable growth of economics and finally, it will facilitate achievement of one of the key priorities of Georgia – integration into the European structures and its market.

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