

Geliashvili Gvantsa, Doctor of Social Sciences in Econoimics,

Invited Lecturer,

Business and Tourism Faculty,

Sulkhan-Saba Orbeliani University

geliashvili.ge@gmail.com

CSR STRATEGY FOR SUSTAINABLE DEVELOPMENT _ THE BEST PRACTICIES IN GEORGIA

Abstract

This paper aims to highlight the strategic importance of CSR in companies that operate in Georgia and it starts with a study of the specialized literature in order to identify the role of CSR strategies in the creation and strengthening of sustainable business.

We have described some prominent examples in spheres of sustainable and responsible business in Georgia and it was concluded that CSR is not just an unavoidable additional cost of a company and it is a force for good by creating healthy communities and healthy environment and at the same time achievement of long-term financial value and commercial success.

Key words: responsible bussiness, CSR strategies, sustainable development, Georgia.

INTRODUCTION:

Nowadays the topics surrounding Corporate Social Responsibility (CSR) have become more complex due to the globalization of the economy and the issues that arise from companies competing in international markets. This heightened awareness of CSR and sustainable development has been endorsed by increased responsiveness to ethical, social, environmental and other global issues.

To ensure long-term financial success, businesses need to recognize that they are operating within a larger biophysical and social environment and respect the limits and processes governing the sustainability of the larger ecosystem as the global economy expands rapidly toward the carrying capacity of the planet. Firms, especially large companies, are being challenged to behave in an environmentally sustainable and socially responsive manner while maintaining and improving shareholder value.

Association Agreement EU-Georgia and Georgia's further integration into the EU's internal market had provided new challenges and opportunities to companies that operate in Georgia, as well as new regulations of government and more integration to global market, are in many instances strongly linked to the development and the sophistication of their CSR and adhering new standards of responsible business conduct.

PURPOSE:

Specialized literature tried to highlight the importance of corporate social responsibility in business strategy. Some authors even consider that "corporate social responsibility initiatives must be integrated and internalized by an organization so as to be placed in the heart of the organization"[1], to obtain benefits such as improved corporate reputation, increased confidence of customers, increased employee motivation and market share. Businesses should be aware that the inclusion of social responsibility objectives in the strategy of the organization must be triggered not only by the desire to build a positive image, by operational efficiency or the prospect of competitive advantage but as a condition of building sustainable businesses.

This research proposes to make a classification of corporate social responsibility strategies involved in building a sustainable business and outline the characteristic of CSR strategies for companies that operate in Georgia.

Companies can choose the proper management strategy from a varied array of social responsibility and sustainability strategies, such as: "resign strategy, defensive strategy and offensive strategy" [2]. "Resign" strategy is used when, due to lack of pressures and incentives, but also based on the capacity of innovation of the organization, it is decided not to begin the implementation of sustainability. Businesses can choose a defensive strategy for specific products or services, and, at the same time, an offensive strategy for other categories of products or services. Besides, organizations can choose different strategies for different aspects of sustainability [3]. Organizations with a low level of innovation will choose a defensive strategy, while organizations with a high level of innovation can implement offensive strategies.

Social responsibility strategies can also be sort into four categories of strategies: obstructionist, defensive, accommodative and proactive. Companies that adopt an obstructionist strategy reject any form of ethics or social responsibility that does not meet the economic interest, companies that choose a defensive strategy reject only ethical responsibilities and protect their interests within the legal

framework; companies that adopt accommodative strategy support certain ethical responsibilities, particularly those of stakeholders, without initiating voluntary actions for the common good; proactive companies distinguish themselves by fully recognizing social responsibilities and by an active engagement to minimize their negative impact and meet stakeholder needs [4].

Choosing the right social responsibility strategy impacts business by: "reducing costs and risk, maximizing profits and competitive advantage, increasing reputation and legitimacy and creating synergistic value" [5]. "By building a business strategy to align economic, social and environmental performance to long-term business values, corporate social responsibility becomes part of the business and adds long-term value for both the company and the society" [6].

In order to integrate and adopt CSR strategy fully the companies need to take the following steps: a) Define CSR for their particular business; b) Understand motivations underlying its commitment; c) Establish policies and goals to achieve CSR; d) Establish measures to monitor their accomplishments in CSR [7].

The signing of the Association Agreement and the DCFTA with the European Union in 2014 was a significant transition of political, economic and social institutions and at the same time opening for Georgian companies the world's largest market with more than 500 million consumers. Nowadays companies that operating in Georgia faces new challenges and opportunities. The deeper integration with the global economy requires organizations to consider new economical-political and social environments and to clearly define their role and business strategies.

Over the last years, especially in 2018-2019, an increasing number of companies in Georgia started promoting their business through Corporate Social Responsibility strategies. The newest research of Corporate responsibility in Georgia (supported by the Civil Development Agency _ CiDA and Swedish Government) participated by 1053 small, medium and large companies. Key findings of this research were:

- The large and medium-sized companies are more likely to have written documentation of corporate responsibility than small-sized companies. However, the CSR department or manager does not exist separately, and these functions are largely overlapped by other structural units.
- Most large enterprises have implemented at least 1 corporate responsibility project in the last 3 years. More than 80% of small companies report that they have not done so. Most companies do not have a predetermined budget for corporate responsibility activities.

- In terms of coverage of corporate responsibility activities, only some large and medium-sized companies report that their activities are covered and most small companies do not cover this activity. The most popular communication channel is the Internet.

- The proportion of female employees and managers is greater in large and medium-sized organizations than in small companies.

- Corruption prevention mechanisms are weak, especially in small organizations.

- Criteria and processes for philanthropy and sponsorship have not been formally written by most organizations.

- The most popular topics of corporate responsibility activities of organizations in Georgia are: poverty reduction, promoting a healthy lifestyle and have some CSR projects.

- The state as well, as the non-governmental sector have significant communications with the business sector to show the mutual benefits of the partnership. The picture is more or less the same about partnerships with NGOs [8].

In general, the main challenges the company faces during the implementation CSR strategy are: high implementation costs, the challenge of not clearly identifying forecasting the advantage of CSR long term benefits, rapid and frequent changing of the legal environment, lack of support of stakeholders, etc. As for Georgia, the biggest challenge is selfishness and lack of sense of responsibility _ 39% and not enough support of government _ 24%. Other factors that cause a low level of CSR in Georgia are: problems in business-government relations_ 15%, no clear public expectation or demand _ 9%, lack of tradition and experience 9%, lack of finances 8%, etc [9].

Since 2018 the center for Strategic Research and Development of Georgia (CSR DG) is launching the annual Corporate Social Responsibility Excellence Contest _ Georgia's Responsible Business Awards "MELIORA". "MELIORA" is supported by the European Union and East-West Management Institute's (EWMI) ACCESS project through USAID funding. Therefore, every year "MELIORA" Awards will celebrate companies operating in Georgia for most inspiring and outstanding projects and initiatives in the area of corporate social responsibility, that change Georgia for better [10]. Georgian companies Natakhtari (nomination "The Best Project in the Area of Environmental Protection") and Poti seaport (nomination "The Best Project in the Area of Human Rights") are double winners at Georgia's responsible business awards "MELIORA". The winner of "MELIORA" 2019 was also m2 in nomination "Successful Partnership for Sustainable".

Natakhtari _ nomination of partnership and sustainable business. Each year and for a certain period, a percentage of sales from each bottle of lemonade sold are transferred to the foundation. Since 2011 has collected GEL 841,835 and more than 270 beneficiaries (youngsters) have been able to receive a professional education.

Poti seaport _ nomination of the best project in the area of environment protection. Since 2011 over USD 80 million has invested to improve the port's infrastructure and equipment. The rotating spreaders decrease cargo waste from 2% to 1% which means about 2, 600 tons of copper dust will not make its way into the environment[10].

These prominent examples in spheres of a sustainable and responsible business will promote and strengthen CSR commitment among businesses, encourage and motivate companies to adopt best practices and become role models for others and finally, demonstrate that a responsible business, aiming to be a force for good by creating healthy communities and healthy environment, achieves long-term financial value and commercial success even though some of such pioneer companies have not separate departments or CSR managers.

RESULTS OF THE RESARCH:

We analysed typologies of CSR strategies for development and to highlighted the strategic importance of CSR and the role of CSR strategies in the creation and strengthening of sustainable business. Also, we studied the experience of some Georgian companies from deferent industries which tended to be the national champions in sustainability/CSR related activities. The outcomes of this research are following:

- CSR is not just an unavoidable additional cost for company. In fact, CSR can facilitate a positive value of a firm from the perspectives of management, marketing, innovation, and ownership. After all, it becomes key of corporate sustainable development strategy of the company.
- A company can choose it's proper strategy from 3-4 types of social responsibility strategies that support organizations in creating and strengthening sustainable business.
- For successful implementation of CSR strategy it is very important to pay attention to the fact that it must be in harmony with the firm's mission and sensitive to its business culture, environment, and risk profile and operating conditions.

- Corporate social responsibility strategies are key factors of a sustainable business on the following levels: social and societal, ecological and environmental, supply chains and suppliers, corporate image, position in relation to competitors and financial performance.
- With growing attention on the responsible and ethical behavior of business throughout the world, as well as in Georgia, companies have to come up with innovative approaches to the way they operate.
- Companies in Georgia prefer to implement “obstructionist” and “defensive” CSR strategies rather than “accommodative” and “proactive” CSR strategies.
- Most of companies that operate in Georgia are focused only on CSR projects and have not CSR department or CSR manager. Even though CSR strategies stay a main force for good by creating healthy communities and healthy environment and at the same time achievement of long-term financial value and commercial success.

CONCLUSION:

Over the last years (especially in 2018-2019) an increasing number of companies in Georgia started promoting their business through Corporate Social Responsibility strategies because the customers, the public and the national government expect them to act sustainable as well as responsible.

But the term “Corporate Social Responsibility”(CSR) remains relatively new in Georgia and a large part of companies that operate here wrongly perceive of CSR as comprising philanthropic “giving” and CSR projects and haven’t fully implemented CSR on strategic levels. While philanthropy can be seen as one fairly basic component of CSR, it is certainly not the case that CSR is limited to philanthropy alone. CSR is something far greater than one-off acts of charitable giving by firms as part of a bid to be a good corporate citizen, effective form of risk management, ensuring compliance with the social and environmental laws and regulations of the country, and even a means of shared value creation.

And, finally CSR is about business, government and civil society collaboration with the bottom line is the achievement of win-win situation and community engagement can play a central role, helping companies and their people to understand and embrace issues, ensuring a positive impact on all stakeholders.

REFERENCES:

1. Dey, M., Sircar, S. „Integrating corporate social responsibility initiatives with business strategies: a study of some indian companies”, The IUP Journal of Corporate Governance, vol. XI(1), 2012.
2. Van Bommel, H.W.M.. „A conceptual framework for analyzing sustainability strategies in industrial supply networks from an innovation perspective”, Journal of Cleaner Production, #19, 2011.
3. Kogg, B. Responsibility in the supply chain. Interorganizational management of environmental and social aspects in the supply chain. Case studies from the textile sector, Sweden: Lund University, 2009.
4. Sauser, W. I. Jr.. “Ethics in Business: Answering the Call”, Journal of Business Ethics, 58(4), 2005.
5. Kurucz, E.C., Colbert, B.A., Wheeler, D. „The business case for corporate social responsibility”, Chapter 4, 2008, in: A. Crane, A. McWilliams, D. Matten, J. Moon, D. Seigel (eds.), The Oxford Handbook on Corporate Social Responsibility, Oxford University Press: Oxford 2008.
6. Rochlin, S., Witter, K., Monaghan, P., Murray, V. „Putting the corporate into corporate responsibility”, London: Greenleaf Publishing Sauser, 2005.
7. Business Fundaments. Rice University, Houston, Texas, 2012.
8. Corporate Social Responsibility (CSR) in Georgia: public perceptions and expectations. CSRDG, Tbilisi 2017.
9. Corporate Responsibility. Research, CiDA. 2019.
10. Georgia's responsible business awards MELIORA 2018 _ Nominated Projects, Tbilisi 2018.

Дегтяренко Валерія,
здобувач вищої освіти факультету економіки, менеджменту та психології
Київського національного торговельно-економічного університету
lerusha3@gmail.com

Миколайчук Ірина
к.е.н., доцент кафедри менеджменту