CORPORATE SOCIAL RESPONSIBILITY: A ROADMAP FOR GEORGIA

A Paper
Submitted to the Graduate Faculty
of the
North Dakota State University
of Agriculture and Applied Science

By

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In Fulfillment of the Requirements
for the Degree of
MASTER OF ARTS

Major Department:
Communication

August 2010

Fargo, North Dakota

North Dakota State University
Graduate School

Title

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The Supervisory Committee certifies that this *disquisition* complies with North Dakota State University's regulations and meets the accepted standards for the degree of

MASTER OF ARTS

ABSTRACT

Kvaratskhelia, Tamar, M.A., Department of Communication, College of Arts, Humanities, and Social Sciences, North Dakota State University, August 2010. Corporate Social Responsibility: A Roadmap for Georgia. Major Professor: Dr. Amy O'Connor.

Today, more than ever, business companies are held accountable and judged for their business practices. They are expected to work in ways that make a positive impact on the environment and the society. Corporate social responsibility (CSR) is often conceptualized as companies intentionally exceeding their primary responsibility of making profit in order to support the common goal of creating secure, just, and productive communities while protecting the environment.

Although CSR is widely practiced in Western countries, the concept is still relatively new and emerging in Georgia, a country with a transitional economy and democracy. Current CSR practices are less stable or efficient, but have a high potential for development. Therefore, this project reviews the literature to identify some of the most common trends of CSR in developed countries, describes successful examples and practices, and proposes a roadmap – a model adapted to the current reality of Georgia. The roadmap is a CSR plan with general activities that could be implemented on a country level to ensure more efficient use of business, public, and government resources for the benefit of the nation.

ACKNOWLEDGMENTS

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CHAPTER ONE. INTRODUCTION

My first involvement with the issues of social importance in the country of

Georgia was in 1994, soon after the breakdown of the Soviet Union. At this time the

new government was busy building new systems – state institutions, legislation, foreign

affairs, and other vital structures. Business was still under the ruins of the centralized

socialist economy, and the burden of addressing social problems (e.g., provision of

relief and humanitarian assistance to the most vulnerable) was largely undertaken by

international donor non-government organizations (NGOs)[1]. Since 1994, I have

obtained bachelor's degree in law and master's degree in public administration; worked

in all sectors of the civil society – governmental and youth agencies, business and

consulting companies, large international and local non-profit organizations, and the

judicial system. At different times I was in charge of fundraising, social project

development and management, communication strategies, monitoring and evaluation of

initiatives, and a liaison between different civil society actors. These roles gave me a

front-row view of some of the most crucial events occurring in Georgia. I have

witnessed development towards democracy, emergence of new sustainable businesses

based on free market economy values and reduction of international funding based on

the hope that national government and local actors will take over. As a result, many

private companies working in Georgia are experiencing increased pressure to develop

social investment programs to address existing gaps in the provision of social services.

Georgian society is becoming more interested in how corporations implement

activities including the expenditure of business resources, attitudes towards employees,

and impact of the company activities on the community development within the region.

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[1] Entities that do not distribute their surplus funds to owners or shareholders, but instead use
them to help pursue certain goals for the benefit of the public.

Understanding the crucial role of corporations in achieving public good, the Georgian society has raised its expectations of corporations, pushing them to implement their businesses ethically and with due consideration given the social, economic, and environmental interests. Therefore, the responsibility of the business sector toward society – or corporate social responsibility (CSR) – becomes increasingly important.

Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) is conceptualized as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Holme & Watts, 2000, p. 8). Cramer, president and CEO of Business for Social Responsibility, defines the goals of CSR as "to use the market economy to address gaps in income distribution and help pull people out of poverty, as well as to ensure sustainability of natural resources such as fish stocks and water" (as cited in Steen, 2007, p. 3). CSR is much more than a cost, a constraint, or a charitable deed – it is more about planned and regular activities, aimed at systematic changes and better understanding of the role and functions of business in the society (Porter & Kramer, 2006). CSR helps stakeholders[2] understand the need for long-term commitment to improvement of certain social fields and achieving societal good, whether working to improve the environment or contributing to positive changes in society (Pfau, Haigh, Sims, & Wigley, 2008). CSR is "what companies have to do to survive and prosper in a world where more and more of their behavior is under a microscope" (Hollender as cited in Vogel, 2005, p. 2). Social responsiveness can play a

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[2] All the groups and individuals that have an affect or are affected by the accomplishment of an organizational purpose (Freeman, 1984).

significant role in promoting favorable relationships with primary stakeholder groups (Brammer & Millington, 2005) upon whom "the survival and continuing prosperity of the organization depends" (Clarkson, 1995, p. 107). CSR is the continuing commitment by business to behave ethically and contribute to economic development.

Organizations today must not only do well by achieving economic success, but also by making social contributions (Kotler & Lee, 2004). According to Wilburn (2009), socially responsible companies can succeed if they focus on investing in communities in which they operate. For example, by implementing community projects to strengthen capacity of local farmers in India, Nestle helped the local community, increased quality and accessibility of raw materials, and expanded its market.[3] Also, CSR "can be a source of opportunity, innovation, and competitive advantage for companies" (Porter & Kramer, 2006). Research has shown that companies that are perceived as socially responsible are more likely to generate loyalty among their employees, customers, and other shareholders (Shumate & O'Connor, 2007). At the same time, those companies that make a difference in the society are perceived to be more favorable than those who simply donate money (Porter & Kramer, 2002).

CSR can be explained as having three pillars – people, planet, and profit (Elkington, 1997). These three pillars are also referred to as social, economic, and environmental bottom lines. Elkington describes the social bottom line as being business companies instituting fair policies towards employees, respect for human rights, caring for consumer health and safety, and implementing community activities, while objecting bribery, corruption, and other ill-defined practices that may harm human lives and well-being. The environmental bottom line takes into consideration activities that minimizes threat to the environment and supports sustainable

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[3] For more details on Nestle example please see Chapter Five: Examples and Best Practices.

environmental practices. Profit, or the economic bottom line of business operations, is a synthesis of traditional financial accounting of business as well as the economic impact the company has on the environment (1997).

To implement socially beneficial activities, companies often choose to partner with local NGOs and non-profits in order to be more effective and efficient in their efforts of developing the community. Corporations tend to have less public trust on various social and cultural issues than governments or NGOs (Shumate & O'Connor, 2007), but NGOs have developed greater public trust than governments, media, or corporations on the issues regarding environment, human rights, and health (Woodliff & Deri, 2001). Therefore, alliances between NGOs and corporations can provide information as well as a desire for success and "discovery and molding of a shared human destiny" (Wilburn, 2009, p. 119). Interestingly enough, in some European countries, where the relationship of business and government is traditionally stronger, governments are playing a networking and coordination role and are instituting policies to ensure business involvement in philanthropy and other CSR-related activities (Vogel, 2005).

Why is CSR Important to Georgia?

CSR is a new concept for Georgia, although it is slowly earning its place in understandings and practice within corporate sector and the society in general. For the past few years, after its independence from the Soviet Union and its centralized economy, the government adopted laws and regulations that supported significant improvements of the business sector. The World Bank's Ease of Doing Business 2010

report[4] (The World Bank Group, 2009) ranked Georgia number 11 due to its favorable conditions for business development. Naturally, with increased profitability and diversification of business, private companies are experiencing increased pressure to develop social investment programs and address existing gaps in provision of social services (CSRDG, 2007). Such developments increase the importance of finding a model of CSR, which is most appropriate to the culture and situation of the country. Unfortunately, scholars have conducted a very little research to identify the current situation and propose improvements. At the same time, awareness and understanding of CSR issues is rather limited among the Georgian population, and only recently some NGOs have started to address the issues of socially responsible business practices.

A limited body of research on CSR initiatives in Georgia reveals that even though private corporations have an insufficient understanding of the CSR concept, in general they do recognize their responsibility toward society and believe that they are already making certain contributions (CSRDG, 2007). Georgian businesses see their role in the development of the society more than simply meeting legal requirements. They would like to move from the stereotype where business is seen as the source for money *only*, to being seen as a source for development, increasing the quality of life in the society, participating in addressing social and economic problems, and protecting the environment (CSRDG, 2007). Georgian society also expects socially beneficial activities from businesses, and its active involvement with resolution of issues of public importance. For example, recently, more than ever, local organizations, initiative groups, or individuals address corporations with requests to fund certain projects or help with health-related issues, using both formal and informal (personal) channels.

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[4] Annual report produced by the World Bank as a result of monitoring economic development throughout the world.

Interestingly both society and corporations expect government authorities to take a lead on social initiatives and identification of priority areas, but corporations see themselves as the second player responsible for social welfare (CSRDG, 2007).

This paper seeks to contribute to the ongoing process of introducing CSR in Georgia by exploring some of the best practices and proposing activities that could be implemented at the initial stage. Since Georgian people and the government have chosen to build the country around democratic principles and a free market economy, the paper will review literature and best practices from USA and Western Europe – countries that the Georgians often use as models. It will discuss the best western models of CSR and propose ways of adapting them to the Georgian reality.

CHAPTER TWO. GEORGIA

The Background

Georgia is located in the Caucasus region, on the crossroads of Europe and Asia, neighboring Armenia, Azerbaijan, Russia and Turkey, and bordering the Black Sea from the west. This small country of 26,916 square miles has always been of interest to its distant and close neighbors due to its convenient geographic location, unique landscape, rich history, and traditions dating back to ancient times. The country served as the corridor for the Silk Road – the shortest road to travel between East and West, turning its culture into a beautiful mix of eastern and western traditions. Due to the mild climate nurturing agricultural production, intellectual resources supporting development of the industry and science, numerous sea and mountainous resorts, and historical sightseeing attractions, Georgia has always been a leader in the Caucasus region, and later, one of the strongest republics of the former Soviet Union. The people of the country (now about 4.2 million) are known for their hospitality, courage, and mutual support.

Being part of the Soviet empire for 70 years (1921-1991) has had enormous effects on the current state of Georgia. Just like in other socialist republics, Georgian people benefited from centralized social welfare system. Employees of factories and other state-owned organizations, even low-level workers were provided with special benefits ranging from vacation packages, healthcare assistance to specialized popular institutions of that time. Many organizations, especially prestigious ones, had schools for their children, and offered employees transportation and housing at artificially low prices, together with standard wages. However, these benefits were not defined by the organizations themselves, rather as with every other aspect of public life, the government planned these benefits. The central organization of the welfare system

resulted in high dependency of people towards the government and by proxy government-mandated corporate programs (Thomas, 2010).

After the breakdown of the Soviet Union in 1992, the centralized welfare system disappeared and the new government of Georgia could not maintain the services provided to its citizens earlier. As the industries stopped operations due to lack of markets for the goods produced, people lost their primary source of income as well. The country fell into extreme poverty and hopelessness, where people doubted their own abilities and often blamed the government for their misfortunes (Mercy Corps, 2004). While working for an international organization, Mercy Corps, which aimed to mobilize communities around East Georgia, I met numerous people who did not believe they could achieve anything unless the will came from the government. Many people were hopeful for international non-profit organizations that brought in assistance for immediate needs of communities (Gzirishvili, 2004). However, this assistance was not always sufficient for everyone in need. Two civil wars during the early years of independence (1991-1995) and a loss of control over two essential regions of Abkhazia and South Ossetia have created new problems for the new government, destroyed important infrastructure and displaced at least 277,000 people (Ministry of Internally Displaced Persons from Occupied Territories, Accommodation and Refugees of Georgia, 2010).

Around the dawn of the new millennium the country achieved a certain level of stability, and new businesses started to emerge along with basic social services (healthcare, insurance, etc.) provided by the Government (UNDP, 2008). However, these services were less effective or accessible for the majority of the population due to transitional nature of policies and a lack of awareness of the population. As a result, many people started turning their requests towards businesses, which, in their own turn,

did not always understand how to manage and prioritize excessive requests of the citizens.

CSR in Georgia

A very limited body of research reviews the current situation of CSR in Georgia. The Center for Strategic Research and Development of Georgia (CSRDG)[5] is the only organization that has conducted a comprehensive study of corporations in Tbilisi, the capital of Georgia (CSRDG, 2007). The purpose of the CSRDG study was to reveal and analyze attitudes of large corporations toward CSR, study, and evaluate the level of knowledge and awareness of corporate executives, their preferences, forms and scope of socially responsible practices of Georgian businesses (CSRDG, 2007).

According to the findings of the study (CSRDG, 2007) most of the Georgian corporations recognize the importance of involvement within social development and problem resolution. However, they have no clear articulation of specific social goals the company tries to achieve or how to achieve them, or ethical principles while working with partners, suppliers, co-workers, or the public. Few companies have developed mission statements reflecting their CSR. For most of the companies CSR is often associated with economic and legal obligations only – paying taxes, creating jobs and thus helping revive the economy. Almost all corporations associate CSR with philanthropy only (CSRDG, 2007) and do not talk about the forms of CSR that are not connected with philanthropic contributions. Therefore, many aspects of CSR common in other countries, including dialogue with other parties, honest business practices, transparency and accountability, combating corruption, using social values while making procurement decisions, ensuring no violation of human rights through their

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[5] www.csrdg.ge

activities (for example, not using child labor, ensuring equal opportunities for all, supporting elimination of discrimination while employed, etc.) are not considered.

Thus, most of the corporations consider CSR to be merely charity. Georgian companies spend up to few million USD a year[6] on charitable activities, but giving is a rather chaotic, one-time endeavor that lacks strategy and orientation on sustainable results. Charity is usually done based on specific requests, but almost never is a specific budget allocated for such activities. Corporations lack knowledge and understanding of how to identify priorities and develop strategies for social investment and alliances. During an unofficial phone survey of 15 top businesses in the country that I conducted with my most recent employer in 2008[7], none of them had a strategy for their charity and philanthropic activities and only two of them had identified some trends. However, these trends were not grounded on any particular strategic considerations or clear arguments, or communicated to the public in a due manner. Georgian companies largely associate CSR with merely addressing basic social issues, but current PR personnel of corporations in charge of such initiatives do not necessarily have abilities to strategize, manage, and monitor these projects.

According to the study on CSR practices in Georgia (CSRDG, 2007), most of the businesses gave positive evaluation to the specific elements of CSR, but the number of companies that actually work on these issues was significantly less. Interviews with some of the largest corporations have shown that one of the constraints corporations identified for implementing CSR was their perceptions about the attitude of the

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[6] For example, during 2008 TBC Bank, the largest and the most successful bank in Georgia, has spent 6 million USD. Source: TBC Bank, Annual Report 2008, http://www.tbcbank.ge/data/file_db/yxk3vOfIfI_Annual%20Report%20short.pdf

[7] The unofficial report produced as a result of the survey is an internal document of the organization and cannot be published here.

government towards their social activities. Corporations have made some contradicting statements about government involvement. On one hand, they mention that the current government often obligates business to contribute to the implementation of government-initiated social or public activities. This, according to the corporate leaders, reduces the chances for the development of CSR in the country, since one of the most important characteristics of CSR is its voluntary nature. Corporations fear that their increased social activities will result in more demands from the side of the government (CSRDG, 2007). On the other hand, most of the corporations consider partnerships with the government as the most important factor while implementing CSR. Some respondents proposed creation of certain governmental foundation where they will be donating money, as they believe the government is in a better position of knowing where the needs are. Working with nonprofit organizations is considered less of a priority because of a lack of trust toward nonprofits and a lack of knowledge of the sector.

The nonprofit sector was first formulated after Georgia's independence from the Soviet Union in 1991, when the country was left without any functioning systems. Two civil wars and the loss of two regions of Georgia have resulted in many families being left without bread winners and hundreds of thousands displaced internally. At that time the major task of the nonprofit organizations (mainly international organizations in partnership with local NGOs)[8] was to provide basic relief to the vulnerable population. However, over time, instead of providing merely passive assistance, the nonprofit sector shifted its activities towards developmental initiatives, focused on mobilization of

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[8] According to various sources, as of 2004 there were about 5,000 NGOs registered in Georgia.

communities for their own good around various issues of interest.[9] With a gradual

withdrawal of the funds available earlier through international donors, local nonprofit

organizations sought assistance from the corporate sector. In spite of multiple efforts,

only a few nonprofit organizations have been able to build sustainable relationships

with certain corporations.[10] Only those with personal contacts have succeeded. The

main reason for that is lack of awareness from the side of the corporation on the

activities of nonprofit organizations and a lack of trust (CSRDG, 2007).

Over the past few years several non-profit organizations have come together and

began talking about CSR and how to promote greater engagement of private companies

in addressing Georgia's development needs. UNDP Georgia, for example, is now

implementing its Global Compact Initiative,[11] designed to serve as a platform for

collaboration between the business, government, and civil sectors through sharing of

knowledge, policy dialogue, and joint actions aimed at resolution of jointly identified

developmental challenges (UNDP Georgia, 2007). One of the other initiatives is the

Corporate Social Investment project,[12] implemented by Eurasia Partnership Foundation,

focusing on introducing concepts of CSR through training as well as formal education

to future and current business leaders and representatives of non-profit organizations

(Eurasia Partnership Foundation, 2007). Most of the activities are targeted towards

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[9] For example, Mercy Corps, CARE, World Vision, UMCOR, IRC and other similar
organizations started implementing community mobilization initiatives that partnered directly
with communities and local NGOs, and provided them with initial technical assistance, input,
and knowledge as well as linkages to build their capacities to empower them to become
catalysts of peaceful change.

[10] For example, First Step Georgia (www.firststepgeorgia.org), a local NGO working on the
issues of children with disabilities has partnered with TBC Bank, one of the most powerful
businesses of the country. My observation shows that partnerships are mainly formed with
banks and large businesses, where some of the most central issues are children and social
welfare of the vulnerable population.

[11] http://www.undp.org.ge/index.php?lang_id=ENG&sec_id=40&pr_id=7

[12] http://epfound.ge/index.php?article_id=45&clang=0

increased awareness of the private sector on CSR and providing local non-government organizations with the necessary skills for fundraising and collaboration, integration, and promotion of responsible business practices, development and implementation of multi-stakeholder partnerships, and facilitation of market-based solutions.[13]

The next chapter looks at scholarly literature on CSR, mainly from some of the most prominent US and western European authors and reflects the main tenets of CSR research. The chapter helps to identify some gaps and key directions to consider while creating more specific plans for the development of CSR in Georgia.

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[13] In spite of the program descriptions and press releases published, the web-sites of the projects do not provide any analysis of the work conducted challenges or changes, which limits the opportunity to evaluate success of the programs outcomes.

CHAPTER THREE. LITERATURE REVIEW

The Pyramid of Corporate Social Responsibility

The Pyramid of Corporate Social Responsibility, proposed by Carroll (1991) represents a model of CSR, embracing a range of business responsibilities that make CSR easier to understand and acceptable for representatives of various sectors. It is made up of four distinct components (obligations) of business, which are in constant, but dynamic interplay with one another. According to this model, for business CSR is about making profit, obeying the law, being ethical, and philanthropic. These responsibilities of fulfilling economic, legal, ethical, and philanthropic activities compose different levels of the pyramid.

Level one: Economic Responsibilities. Economic responsibilities represent the foundational level of the pyramid. Such positioning is built on Friedman's (1970) argument that the business organizations are economic entities designed to make a profit in exchange for the goods and services produced. Therefore, the economic responsibility of business requires it to generate maximum earnings and be as profitable as possible. In fact, in order to be considered successful, business should consistently be profitable. Together with maximizing profit, the goal is to conduct business operations as efficiently as possible, and maintain a strong position among its competitors.

Level two: Legal responsibilities. In any country, any individual or organization is expected to conduct its economic activities within the framework of legal regulations. Such a framework is usually created by the government at different levels and is in place to ensure fair competition and opportunities for all entities under its jurisdiction. Legal frameworks create certain ground rules that business operations should comply with. Laws impose minimal standards and requirements for the goods and services

produced by business. Also, compliance with legal requirements is considered to be a necessary attribution for the success of the company.

Level three: Ethical responsibilities. Ethical responsibilities are depicted as the third layer of the CSR pyramid, building upon economic and legal responsibilities. According to Carroll (1991), ethical responsibility expands legal responsibility by going beyond minimal requirements stipulated by the law and imposing requirements of the public and the society at large. Ethics is about "standards, norms, expectations reflecting concern for what consumers, employees, shareholders, community regard as fair, just or respecting or protecting stakeholders' moral rights" (Carroll, p. 41). Corporations are expected to operate as expected or prohibited by societal members, and be good corporate citizens by not compromising ethical norms to achieve corporate goals. Corporations are also expected to remain flexible and respond to new or evolving ethical and moral norms adopted by society.

Level four: Philanthropic responsibilities. Philanthropic responsibilities are activities that companies undertake in response to the philanthropic and charitable demands of the society and with the purpose of becoming good corporate citizens.[14] Unlike the previous three categories (economic, legal, ethical), philanthropic responsibility is more voluntary in nature. It is depicted as the top layer of the pyramid, more of the "icing on the cake" (Carroll, 1991, p. 42), which is not essential for implementing economic, legal or ethical obligations, but is highly desired and praised. At their discretion, corporations can engage in various activities promoting human welfare or goodwill, participate in voluntary and charitable activities of the local communities to enhance quality of life, or support educational or arts initiatives.

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[14] In literature "corporate citizenship" is generally used as equivalent of CSR, assuming that business is part of the society, where participation is more important than individual rights (Mele, 2009).

However, society still expects corporations to implement philanthropic activities that benefit for the environment in which they operate. Such activities usually help corporations gain advantage over their less socially responsible competitors.

Carroll's Pyramid of Corporate Social Responsibility (1991) is a comprehensive review of the obligations of business, but it lacks discussion and acknowledgement of CSR as a moral obligation of companies. Later research summarizing moral obligation of companies is reviewed in the section below.

CSR as a Moral Obligation

Over the past few years there has been an increased debate about whether philanthropic donations and socially responsible practices actually help business become more profitable. While some researchers argue that CSR is helping companies gain an advantage (Burlingame & Young, 1996; Haley, 1991; Porter & Kramer, 2002; Saiia, et al., 2003; Thorne et al., 2003), a significant body of research also shows that some of the biggest givers, and even some of the most recognized socially responsible companies are not necessarily better financial performers (Demacarty, 2009; Kuhn & Deetz, 2009; Vogel, 2005). CSR may not produce strong financials, but it does not produce weak returns either. Due to that, responsible companies still have excellent opportunities to strive for achievement of outstanding financial results (Demacarty, 2009).

In spite of such a vague relationship between socially responsible practices of corporations and financial gain, businesses are still acting charitably and responsibly simply because their stakeholders – investors, employees, and customers – are demanding them to do so (Henderson & Malani, 2009). Chung (1987) suggests that "business firms operate in a society that offers them the opportunity to make profits. In

return, they have the obligation to serve societal needs" (p. 125). Corporations are an integral part of society and it is therefore their moral obligation to consider corporate behavior as part of their role in society (Peach, 1987). The moral duty of business organizations should not be to shareholders only, but to the society as well.

The moral obligation of business is based on universal moral principles of Aristotle, preaching that it's best to pursue one's ends in a way that also helps others, or at least does no harm to them (Demacarty, 2009). Corporations, as powerful entities that reach into every sphere of society, bear a moral obligation to be socially responsible and to conduct their operations with society's interests at heart (Gan, 2006). It is now commonly expected of business organizations to install environmentally friendly machinery, use recyclable raw materials, rehabilitate sites previously damaged by their actions, treat employees equally regardless of sex, race, religion etc., respect the conventions on human rights, disassociate themselves from suppliers of child labor products, make charitable donations and implement other actions now considered as morally responsible (Idowu & Papasolomou, 2007). Corporations are viewed as potential agents of beneficial community and environmental development, not merely as exploiters of resources (Kuhn & Deetz, 2009). Corporations, thus, are encouraged to adopt a more holistic approach to their developmental activities that "elicits deep caring through a well-resourced environmental mission" (Jeremier & Forbes, 2003, p. 168).

Decisions of corporations about their socially responsible practices are guided by several factors. One factor is managerial goodwill and stewardship. Kuhn and Deetz (2009) argue that decisions are often made by managers based on their assumptions about people, fairness, and business practices, and with less consideration of organizational good. Instead, in order for the business manager to use his or her moral freedom responsibly, he or she needs to ensure higher involvement of stakeholders into

decision-making process to maximize social and environmental as well as economic value (Barrett & Cooperrider, 1990; Hood, Logsdon, & Thompson, 1993; Kuhn & Deetz, 2009; Waddock, Bodwell, & Graves, 2002). At the same time, business managers should be open to a more participatory decision-making process, allowing more diversity of opinions (Kuhn & Deetz, 2009).

The second factor influencing the obligations of business is governmental regulations and oversight. CSR cannot be viewed in isolation from the government. Governments can promote or encourage CSR by encouraging and inviting participation of business in resolution of problems, setting clear systems to guide business behavior, providing guidance and practice, and acting as a catalyst for bringing resources together (Moon & Vogel, 2009). Some countries have created coordination units or legislation regarding minimum standards (Vogel, 2005). However, even though governmental regulations obligate to a certain extent, they cannot micro-manage and are often inflexible to adopt newly-emerging values into their policies (Kuhn & Deetz, 2009). The final burden of decision-making still falls on the companies, who are encouraged to vigorously seek development of new legal regulations that would strengthen the position of decent businesses by making it the fiduciary duty of companies to create value by finding strategies mutually beneficial to executives, employees, customers, the social infrastructure, the environment, and investors (Greenfield, 2007).

Together with executives and a legal framework, the actions of corporations are largely influenced by public scrutiny, preferences, and opinions. Consumers can serve as a significant source for social control of business, extending their domain beyond immediate characteristic of the product to include corporate responsibility practices of the producer (Smith, 2009). Even though consumers do not very often "vote" against decisions of corporate managers (Kuhn & Deetz, 2009) and public perception may not

be powerful enough to override all bad corporate behavior, it can still be a persuasive force in fostering some social concern and some good work from corporations (Gan, 2006). In today's world, an organization which fails to ensure that its operations do not cause environmental nightmares or health risks to society, or help alleviate societal ills may become the subject of public scrutiny (Idowu & Papasolomou, 2007). The public may form interest groups to take legal or economic action against the company, and the media may report on the company's operations and behavior, occasionally in negative ways (Gan, 2006).

Strategy of CSR

Strategic philanthropy. Corporate philanthropy is about allocation of corporate income to provide tax deductible gifts to charitable activities or causes, and bring interests of individuals and corporations together (Burt, 1983). Due to the continuous pressure of social and community activists, many businesses choose to participate in philanthropic causes, and corporate charitable giving has become an increasingly visible component of business social performance (Brammer & Millington, 2006). For example charitable giving in the United States exceeded $300 billion for the second year in a row in 2008, and donations to charitable causes in the United States reached an estimated $307.65 billion in 2008 (Giving USA, 2009). However, corporations can decide not to get involved in philanthropy at all, as they may not clearly see the connection between charitable giving and financial returns (Choi & Wang, 2007).

Philanthropy is a way that companies, preeminently rational, profit-seeking entities (Burt, 1983) act for the interests of others by demonstrating social responsiveness to the communities in which they operate (Wood & Jones, 1995; Berman, et al. 1999). According to Burt (1983) the decision of a corporation to get

involved in philanthropy is made within a social context defined by relations with its stakeholders – competitors, suppliers, consumers, representatives of the local communities as individuals as well as communities that determine demand for the company products. Since corporations cannot exist in isolation, success depends on healthy and economically viable communities. Therefore, corporations should be concerned with the quality of life of the given community and should encourage efforts to make society better (Harris & Klepper, 1976). Philanthropy legitimates the corporation to the public as a protector of the public interest (Burt, 1983) with altruistic desire to return some of the wealth generated through economic activities to their communities (Brammer & Millington, 2006). At the same time, corporations have economic motives to enhance worker productivity and goodwill among consumers (Navarro, 1988; Young & Burlingame, 1996; Saiia, Carroll, & Buchholtz, 2003) and increase their abilities to buy goods or services of the corporation (Burt, 1983).

According to Brammer and Millington (2006), charitable giving is an increasingly strategic activity that can visualize commitment of the corporation to the social agenda. Charitable contributions are viewed as a link connecting the corporation and its external partners (Chen, Patten, & Roberts, 2008). Some researchers argue that corporations can use philanthropy for legitimization purposes (Ashford & Gibbs, 1990; Dowling & Pfeffer, 1975), where companies make charitable contributions to portray an image of positive social performance in an effort to mitigate or off-set poor social performance in other areas.

Research differentiates "philanthropy strategy" and "strategic philanthropy". Philanthropy strategy is about the methods and procedures used by the company to give money away (Saiia, Carroll, & Buchholtz, 2003). Such strategies are often centralized, interwoven with public relations functions, and governed by formal plans and decision-

making committees (Brammer, Millington, & Pavelinn, 2006). However, some companies may even employ external agencies for management of donations, and the level of donations often depend on the discretion of the highest executives of the company and revenues of the company for the given year.

Strategic philanthropy is about giving meaning to the corporate resources, using it as a social currency (Haley, 1991) to impact the company itself as well as the community that receives those resources (Saiia, Carroll, & Buchholtz, 2003). According to Porter & Kramer (2002) philanthropy is a cost-effective way, and sometimes the only way to improve competitive context. They call upon companies to use their philanthropic resources wisely and influence areas that in turn play an important role in the success of the company itself – trained workers, high-quality scientific and technological institutions, adequate physical infrastructure, transparent and efficient administrative processes, and available natural resources. Companies will be pushed to develop innovative products to meet emerging customer needs of empowered communities (Porter & Kramer, 2002). Thus, strategic philanthropy is about "synergistic use of a firm's resources to achieve both organisational and social benefits" (Thorne, Ferrell, & Ferrell, 2003, p. 360). It has a dual objective of combining altruistic intentions of the company to contribute to societal good with its own interests of profit-making (Burlingame & Young, 1996) or "to influence corporate stakeholders, to shape society and to advance managerial interests" (Haley, 1991, p. 486).

Strategic CSR. As corporations throughout the world experience increased pressure to operate in a socially responsible manner, they often end up simply focusing on figures and statements in annual reports rather than giving more thought of the final deliverables (Porter & Kramer, 2006). Even some of the advanced businesses in Western countries often view CSR as a separate set of activities, not always tied to the

operations and overall strategies of corporations. In order to make CSR more effective, Porter & Kramer (2006) propose that one of the key things is to realize the mutual interdependent nature of business and society, and the generic benefit such alliances can bring to both parties. "Both business decisions and social policies have to follow the principle of shared value" (Porter & Kramer, 2006, p. 84), which means that corporations should incorporate social policy perspectives into their existing operation frameworks. Business operations usually benefit communities in which they operate (inside-out linkages), while the community resources and socio-economic and policy environment greatly shape the strategy and future of the given business (outside-in linkages). Therefore, it is almost imperative for the companies to take a closer look at the communities where they function, be flexible and reflect changes in the environment, and anticipate impacts that are still not very visible.

Porter and Kramer base their descriptions of strategic CSR on Friedman's (1970) argument that the primary purpose of business is to make money, and the responsibility of business managers is to generate profit for their shareholders. As noted earlier, Friedman (1970) contends that philanthropic activities are at the discretion of individual managers. In spite of this, corporations may be asked and may want to support various social issues. In this case, limited resources of the company only allow looking at few of such issues. Depending on the individual context of the company, often directing its decisions and actions and its position on the market (Burt, 1983), the company faces a challenge of identifying issues that are manageable and have potential to create shared value both for society and the business. The choice is usually made between generic social issues (of importance to the society, but insignificantly connected to company operations), value chain social impacts (affected by the company's activities in the ordinary course of business) and social dimensions of

competitive context (issues with significant impact on underlying drivers of competitiveness in company operation area) (Porter & Kramer, 2006). By creating a corporate social agenda companies should go beyond immediate expectations of the communities or being a good corporate citizen and mitigating harm caused by its operations. They should focus on constantly identifying social impacts of their operations, advancing social conditions, and achieving desirable social and economic gain. Companies that demonstrate a significant impact on a social problem will gain more credibility than those that are merely big givers (Porter & Kramer, 2002).

In summary, as proposed by Porter and Kramer (2006), strategic CSR is about going beyond just best practices of the company and finding new and creative ways that lower costs and better serve its customers. Instead of tackling a wide variety of social issues the companies should identify smaller number of initiatives where they can make a real difference in society, and produce large and distinctive benefits. Porter and Kramer (2006) suggest that closer association of a social issue with the type of business increases opportunities to mobilize resources of the company and bring bigger benefit to the community. As the company integrates social dimensions within its strategy, CSR becomes a day-to-day activity. Keeping in mind the influence of the community and creation of a shared value is a long-term investment that results into competitiveness and an advantageous position of the company. Even in communities where government regulations are not favorable to business development, companies still have the responsibility to think about creation of shared value and helping the community prosper (Porter & Kramer, 2006).

CHAPTER FOUR. CSR ROADMAP FOR GEORGIA

This project integrates the CSR tenets previously discussed in Chapter 2 to develop a CSR roadmap for Georgia. It is a draft action plan for Georgia that provides recommended components and action points for introducing CSR into the current situation in Georgia. These suggestions are made based on the problems identified above and literature reviewed. I pay particular attention to the issues of legal and governmental regulations, awareness, education, networks, collaboration, social enterprises, volunteerism, and consulting efforts.

Governmental Oversight and Legal Framework

After its independence from the Soviet Union, the legal framework of Georgia has changed significantly. First, the country started to adapt to the reality of a transitional state, in which now more efforts are made towards the long process of sensitizing legislation towards Western standards and ratified international acts. So far the Tax Code of Georgia is the only law that describes activities that fall under charity[15]. Together with a limited number of activities the law introduces a basic formula of deduction tax liberations for companies that do charity[16]. At the same time,

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[15] According to Article 14 of the Tax Code of Georgia charity is voluntary, gratuitous assistance provided directly or through the third persons to people in need of such assistance, among them physical persons in need of social protection or adaptation, medical care, persons with low income; organizations providing nursing or other similar services to children, elderly and disabled persons; charitable organizations; religious organizations; gifted and talented people to further develop their talents; penitentiary institutions for improvement of care or medical services to prisoners. Charity is also activities, carried out by the organizations, bringing benefit to public and carried out in the following areas: human rights protection, education, environmental protection, development of democracy and the civil society, culture, science, social protection, physical education and nonprofessional sport, art, medical care.

[16] Article 186 of the Tax Code of Georgia: Amount of donation issued by an enterprise to a charity organization shall be deducted from the gross income, but not exceeding 8% of

over the past few years the Georgian government has developed a number of laws

imposing minimum environmental standards for business operations.[17] However, so far

none of the laws have directly provided any incentives for businesses to go beyond

these basic legal requirements. Georgian business executives interviewed have named

lack of incentives from the government as one of the constraints for implementing CSR

(CSRDG, 2007). "Socially active business company needs reliefs from taxes and

numerous bureaucratic procedures," says one of the respondents of the survey,

representing projecting and construction business (CSRDG, 2007, p. 41). They have

also expressed the willingness to be more cooperative if such initiatives are coordinated

by the government. Therefore, I offer the following recommendations:

Creation of a governmental office or committee on CSR. The current reality of

Georgia is characterized with a continued high esteem and dependency of its people on

government. Even though the government is not always viewed as a party to

implementation of CSR, it can still play significant supporting and networking role

(Moon & Vogel, 2009). Therefore, creation of a governmental office office/committee

on CSR can be a positive reinforcement for the companies to further pursue their

socially responsible activities. Such an office/committee may consist of representatives

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deductions from the gross income established by this Code (without deductions provided by this article).

[17] For example, the Constitution of Georgia and the Law of Georgia on Protection of the Environment, the Law of Georgia on Hazardous Chemicals, the Law of Georgia on Entrails of the Earth, the Georgian Forestry Code, the Law of Georgia on Environmental Expertise and many others. Georgia is also part of international conventions (for example, Stockholm Convention on Persistent Organic Pollutants, Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, Convention on the Protection of the Black Sea against Pollution, Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), and many others). All legislation is available at www.garemo.itdc.ge. In recent years Georgia has also adopted a number of ISO environmental standards (list of standards available at http://www.gnims.caucasus.net).

of different Ministries (preferably high-ranking officials), as well as representatives of unions of business corporations and civic organizations. It will be in charge of coordinating (but not controlling) CSR-related activities of businesses. The office/committee can provide support in the form of expertise, coordination and creation of policies that support implementation of CSR by enterprises.

Preparing a bill of law on charity and socially responsible activities. This bill could serve as a foundational legislation on CSR in Georgia and encourage companies to implement CSR activities. It could provide a general description of what it means to be socially responsible and list types of activities that could be considered as charity. The bill could state minimum requirements for companies. For example, large companies exceeding certain turnover limits can be required to take a position on CSR in their annual reports and report on their policies, how they are translated into action, evaluation of achievements and future plans. The bill can also propose incentives, such as attractive tax breaks for socially responsible businesses.[18] Such an initiative could be implemented by the above governmental office/committee in collaboration with a wider range of public and business organizations, legal and economic experts. The office/committee will also oversee introduction of relevant changes and amendments to the existing laws of Georgia to more accurately reflect initiatives proposed herein.

Mandating triple bottom line reporting. Triple bottom line reporting (or people, planet, profit reporting) is a form of corporate disclosure which provides the standard financial reports together with disclosures in relation to the business operation's impacts on society and the environment. For Georgia to comply with international standards, I recommend the establishment of legislation requiring some version of triple bottom line

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[18] For example, the amount of tax relief could increase from existing 8% to 10-15%. This amount is closer to unofficial "one tenth" rule, according to which Georgian people would donate one tenth of their income to church or charity in general.

reporting for companies that become subjects of the law on CSR and charity. Global

Reporting Initiative's Guidelines and the UN Global Compact could be a starting

reference point for such an initiative.[19] This policy can also become part of the above-

mentioned law. Such efforts, whether mandatory or voluntary, can motivate companies

to continue their efforts in relation to CSR and can increase confidence of investors and

other company stakeholders in sustainability of operations of the given business.[20]

Mechanisms for promoting socially responsible businesses. To create initiatives

like the Dow Jones Sustainability Index[21] on a local (country) level would provide

certain benchmarks for businesses to follow and to measure their success and failures.

Another idea is to initiate periodical CSR awards programs that recognize corporations

with successful and impactful campaigns as well as leaders (and maybe even

employees) for their commitment and contributions to the implementation of socially

responsible practices. Such awards will serve as an encouragement and good

advertisement for socially responsible businesses, will ensure sharing best practices,

and will set examples for their less responsible peers. At the same time, it will also help

raising awareness of the consumers to enable them to make informed and socially

responsible choices. Such mechanisms can also be initiated by the governmental

office/committee described above.

Developing social enterprises. Social enterprise is a legal form of the enterprise,

created with the purpose of reinvesting its surplus for social objectives in the

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[19] These documents have already been translated by the Center for Strategic Research and
Development of Georgia and is available at:
http://www.csrdg.ge/upload/editor/file/csr/Making%20the%20Connection%20Final%20Pdf%2
0for%20web.pdf
[20] In this context there should be more advice or consulting to companies wishing to learn more
about the use of triple bottom line reporting and raising awareness activities about triple bottom
reporting benefits and techniques.
[21] http://www.sustainability-index.com/

community rather than solely maximizing profit for shareholders. Such enterprises can be established both by NGOs and business organizations to improve the common good and solve a social problem in a new, more lasting and effective way than traditional approaches. Business organizations can use revenues from social enterprises to support social causes, while NGOs can use such income to support their initial mission, while reducing dependence on charitable donations and grants.

Creation of social enterprises in Georgia can be promoted through legislation. Currently Georgian legislation allows NGOs to implement entrepreneurial activities to support their projects, but the legislation is still vague and not widely practiced. Therefore, legislation on social enterprises should be designed separately from existing laws. It could support foundation of social enterprises by already existing businesses and more importantly, creation of social enterprises by businesses and NGOs together. Joint social ventures could bring a variety of perspectives and sustainability to the enterprise.

Social enterprises could be promoted through media campaigns, training, and educational initiatives. To duly document and evaluate first practices to create models that are best suited for Georgian reality is also important.

Education

Over the past few years several educational facilities have been established in Georgia that provide extensive business, legal, and public administration degrees. In spite of their modern approach and western-style curricula, no formal courses include CSR, and information is briefly shared as part of business ethics or managerial courses. Therefore, it would be beneficial to establish an informal education board (with participation of various civil society actors) that will promote creation of short and long

CSR curriculum for university students. Such courses will be focused on providing a more in-depth understanding of the issue, introduction of various models and best practices of CSR. These courses will be incorporated into the university programs that offer bachelor's or master's degrees as well as certifications in business administration and public administration. However, similar courses, but with a slightly different approach can also be offered to students in law, journalism, and environmental science. At the same time, brief 1-2 hour sessions can be developed for students of all specialties with the purpose of providing general information on what CSR is and what some of the key factors are that they have to think about as customers as well as service providers. It will also be beneficial to invite guest speakers (for example, executives of socially responsible businesses) to talk about some of the best practices, challenges and advantages of being socially responsible. Such lectures and introductions will contribute to the general public awareness on CSR.

To educate already existing managers, I also recommend creation of training programs on CSR that will provide theoretical information as well as practical skills to enable trainees to implement socially responsible activities. Some of the target audiences for such training programs would be existing staff of businesses and other organizations in charge of similar activities, representatives of PR and consulting companies, media as well as civil society activists across the country.

Encouraging NGO-Corporate Relationships

As the survey of large Georgian businesses shows (CSRDG, 2007) local NGOs are not necessarily seen as the most reliable and effective partners when addressing social issues. Such alienation is a result of the inability of NGOs to sufficiently promote their activities due to budgetary constraints that contributed to the lack of awareness of

business organizations. However, NGOs usually consider business as vital partner to reach the final goal of building secure, productive and just communities (Field, 2002). Also, best practices of Western countries show that NGOs can be very effective means to help business implement their CSR-related activities. Corporations tend to have less public trust on various social and cultural issues like environment, human rights, and health (Woodliff & Deri, 2001). NGOs already have established structures, expertise on the most important social issues and know constituencies that they work with (Buonocore, 2010). If corporations decide to create alliances with NGOs as part of their CSR activities, NGOs can offer corporations more cost-effective ways of doing such things. At the same time, by being associated with NGOs corporations can create a "social safety net" that is most likely to protect them from boycotts and scrutiny from the side of the public, media, government, and other stakeholders (Shumate & O'Connor, 2007). On the other hand, corporations can provide NGOs with financial stability and support from a wider variety of stakeholders, which is essential in today's changing world (Buonocore, 2010).

NGO-corporate alliances can be promoted by raising awareness of corporations to the benefits of partnering with local organizations. This partnering can take place as part of general awareness-raising campaigns and educational/training initiatives outlined above. At the same time, corporations and NGOs should be encouraged to conduct regular meetings and field visits with the purpose of getting to know each other's activities and priorities. Some of the best western examples of NGO-corporate alliances can be provided to these actors to better illustrate obvious benefits of partnerships.

Encouraging Corporate Volunteerism

Now as a common practice, many western corporations encourage their

employees to support their local and global communities by volunteering (de Gilder,

Schuyt, & Breedijk, 2005; Peloza & Hassay, 2006). Employees of various companies

are using their time, talent and expertise to help local communities by working in

kitchens for the poor, providing mentoring for vulnerable children, care for the ill,

transportation for the disabled, etc. (American Express, 2010; Timberland, 2010). Such

volunteering often takes place on the company clock. Employees are usually happy to

be able to contribute to their immediate communities, while companies benefit by the

good name of a socially responsible corporation and returns associated with it (Hall,

2008).

Since the concept of assisting the poor and vulnerable is not a strange

phenomenon for Georgia, corporate volunteerism could be a possibility to revive that

old tradition. To start with, corporations and their employees should be encouraged to

work with local NGOs and help them with often scarce human resources – whether it is

volunteers for working with vulnerable children or providing counseling on financial

and management issues. Corporations should be encouraged to involve their employees

in deciding how to proceed with volunteering initiatives and what areas of expertise

they can provide. Such activities could become part of the organizational culture, often

making volunteerism a more effective form of philanthropy than monetary

contributions.

Awareness-raising among Customers and Public-at-large

Public awareness is the most important and perhaps the most challenging part of

the CSR Roadmap. As the literature review has indicated, customers and the public-at-

large can serve as a very powerful instrument to monitor the behavior of companies and reward or punish them based on their judgment. Customers usually play influential role with the purchasing behavior on the financial income of the companies. Therefore, it is important for the public to have a clear idea of CSR, be able to make informed choices and conclusions and act in a way that is beneficial both for the business sector as well as society in general.

Awareness-raising activities require a long-term and holistic approach. Therefore, it would be more beneficial if it is conducted using joint efforts of NGOs, business, government, and the media. This would ensure more efficient use of funds and expertise. Some of the examples of public awareness activities are conducting trainings for the customers about their rights and things to keep in mind while buying products or services from a particular company (e.g., how ethical the company needs to be while developing products and services). Another practice for reaching a large audience is placing social advertisements through different media sources as well as introducing talk-shows and other media programs to discuss the idea of CSR.

Increased Media Attention to CSR

The media are probably the most effective and efficient means to communicate messages to the public. It is often referred to as the fourth force after the legislative, executive, and judicial branches of the government, emphasizing its power and potential. Media play an important role in creating and reflecting public opinion and serving as watchdogs for the community. Therefore, to effectively use such possibilities, it is important to involve media in the promotion of CSR as well as monitoring function over its implementation. Media could be encouraged to look at accuracy and quality of produced products, wage policies of companies, working

conditions, relationships with other stakeholders and other issues that reveal social responsibility of companies.

To better equip media to implement its watchdog functions, it is necessary to first build capacity of its representatives. An example of such capacity-building initiative could be a training program for existing media representatives or even a short course for future media workers on CSR-related issues. The initiative may also lead to creation of a certain toolkit for media, involvement of media in local CSR networks, and information exchange between various international networks.

Local and International Networks

When Georgian companies start to engage in socially responsible behavior, it will be important to create a platform where they can share experiences and discuss new opportunities. Therefore, I recommend creating a CSR training and membership organization, similar to *Business in the Community*[22] or *CSR Europe*[23] that will serve as an incubator for business organizations as well as consulting companies to exchange the ideas and create new strategies which would help to increase the value in general. It would also be beneficial to create an online portal that would serve as a hub for information as well as provide space for sharing information and experiences between the companies and other interested stakeholders.

For Georgian businesses to become more aware of the developments in Europe and other parts of the world, they should join international networks, such as CSR Europe, etc. Georgian companies should be encouraged to participate in international events organized by various organizations, where they can successfully exchange ideas

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[22] http://www.bitc.org.uk/
[23] http://www.csreurope.org/

and experiences, receive training on various specific issues, and meet new partners. Such networking will support better awareness of the international framework of CSR and efforts to strengthen international guidelines. Even informational campaigns could be organized to widely introduce international guidelines such as OECD guidelines for Multinational Enterprises,[24] UN Global Compact,[25] GRI,[26] etc. To adapt such guidelines to Georgian reality, discussion panels can be organized between different stakeholders.

Promoting Consulting Efforts

At the moment no companies in Georgia provide consulting for companies on how to implement CSR. Consulting companies, especially those focused on public relations and advocacy should be supported to learn more about CSR and some of the best practices of similar countries. They should try to integrate CSR-related approach into their consulting assignments. Consulting companies can become major advocates of CSR. They should be encouraged to work with similar international companies, but come up with models that are most suitable for Georgia. This will help promoting a local knowledge pool and development of local initiatives.

Encouraging Research

As already mentioned in previous sections of this paper, CSR is a new concept for Georgia, where only few players implementing it and hardly any practices are documented. Therefore, a very limited body of scientific research is available on the given issue and the main sources of information are insufficient reports of companies or private opinions. It is important to encourage Georgian researchers to look closely at

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[24] http://www.oecd.org/department/0,3355,en_2649_34889_1_1_1_1_1,00.html
[25] http://www.unglobalcompact.org/
[26] http://www.globalreporting.org/Home

socially responsible practices using a variety of research methods. Research can provide a deeper insight on the historical roots of CSR and values that current CSR can be built upon. Research can also contribute to the development of best models and practices, help analyze specific cases, develop and test tools for Georgian CSR, and most importantly, increase the local body of knowledge and expertise. Research can also provide important information about the progress made, existing gaps and future directions of CSR initiatives in Georgia.

All components of this CSR Roadmap contain a wide array of concepts that can be further refined and turned into very specific activities and deliverables. At the same time, all of the components identified above are interrelated, and implementation of activities within one component will greatly contribute to the activities of another. Some examples of the activities described here are provided in the next section.

CHAPTER FIVE: EXAMPLES AND BEST PRACTICES

Government Involvement in CSR Activities

In many countries government is actively involved in promoting CSR. This is mostly true about western European countries, which, according to Vogel (2005), can be explained with richer traditions of business-government relationships. Governments are interested in CSR because such voluntary efforts led by business can help to meet policy objectives, including those on sustainable development, environmental protection, and even foreign policy (Henderson, 2001b; Steurer, 2010). Also, CSR policies are regarded as an attractive complement for legal regulations in cases where new regulations are politically not desirable or infeasible (Steurer, 2010). CSR policies coincide with a broader transition of public governance altogether, where, instead of hierarchical regulations more network-like and partnering modes of self and co-regulation are encouraged (Kooiman 1993, 2003; Pierre 2000; Rhodes 1997). Since CSR goes beyond simple management approaches under the discretion of managers, instead of being passive objects of change governments are interested to get involved in co-defining the shifting involvements of the different sectors.

Different countries have developed various ways of government involvement in CSR. For example, Great Britain has a Minister of CSR since 2000 with the key mission of raising the profile and highlighting the importance of social and environmental responsibility, making responsible behavior a consideration of core business, assisting the involvement of small and medium sized enterprises, promoting transparency in CSR reporting and awareness in the marketplace, promoting good practice in CSR internationally as well as in the UK (Department of Trade and Industry, 2004). To raise awareness of CSR, many governments conduct informational initiatives including funding research and educational activities, produce web-sites and CSR

reports[27], and develop guidelines based on international regulations like the UN Global Compact[28].

According to Steurer (2010) governments also try to improve disclosure and transparency by issuing country-specific reporting guidelines[29], so that companies with good CSR programs are favored by investors, regulators, employees, suppliers, and customers (including public procurers). For example, in France, Denmark, the Netherlands, Sweden, and Spain governmental economic regulation laws require companies to include social and environmental information in their annual reports (Holgaard & Jørgensen, 2005).

Using its legislative capacity, governments often produce laws that promote development of CSR activities. For example, "Charter of the Environment," a law passed as the annex to the French Constitution obligated businesses and government to ensure sustainable development (Streuer, Berger, Konrad, & Martinuzzi, 2007). Also, in the UK the government started a "Payroll giving" scheme providing tax exemptions for employees who donate to the civil society organization of their choice[30]. To promote socially responsible investment, the government of Belgium adopted a law prohibiting Belgian companies from financing or investing in any local or international entity that is involved with anti-personnel mines and cluster munitions in any way. By publishing an annual list of banned companies the Belgian government eases compliance with the law. Similarly, Swedish and French national pension funds are required to annually account for the environmental and ethical issues considered while making decisions of

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[27] For example, http://www.csr.gov.uk for the UK government.
[28] http://www.unglobalcompact.org/docs/news_events/8.1/GC_brochure_FINAL.pdf
[29] Such guidelines are often based on internationally recognized instruments like Global Reporting Initiative, and are adapted to the reality of the given country.
[30] http://www.inlandrevenue.gov.uk/payrollgiving

investing such funds into various companies. Governments involved in CSR-related activities also often issue guidelines, reports and other publications that set standards for performance (Steurer, 2010).

Integrating CSR into a Strategy

One of the best examples of integrating CSR into daily routines and activities is the case of Nestlé in India. When the company entered India to build a dairy factory and enter the market of the country, the host region (Moga) was very poor, with people living even without basic conveniences (electricity, transportation, etc.), little land or livestock hardly producing milk for their own consumption. Due to the lack of refrigeration and quality control mechanisms local farmers were unable to deliver quality milk to the factory. At the time of opening the factory the company only had 180 local suppliers.

For Nestlé to establish its traditional value chain with Indian farmers/suppliers, it needed to invest in the region and its inhabitants. In each town, the company built refrigerated collection points for milk and its trucks would collect milk from these dairies. Veterinarians, nutritionists, agronomists and quality assurance experts, also provided by Nestlé, trained local farmers on how to improve their livestock and therefore, quality of milk and other products produced. They were provided with medicines and supplements for animals, while Nestlé also funded digging deep-bore wells to ensure better irrigation of crops. Better irrigation resulted into improved the diet of the livestock, increased crop yields, produced surplus crops and in general, raised the standard of living.

Now the number of Nestlé's milk suppliers has increased up to 75,000 local farmers, who, with the help of the company, managed to reduce death rates of calves by

75% and increase milk production 50 times. Better prices paid by Nestlé increased

economic opportunities of farmers and enabled them to increase their standard of living

and buying power. This, in turn, expanded the market for Nestlé's products and

economic success of the company. Such commitment to working with small farmers

and transformation of the competitive context created shared value for both the

company and the community. Nestlé used similar experiences in many other countries,

benefiting both the company and its host regions (Porter & Kramer, 2006).

Corporate Volunteerism

Research has shown that corporate volunteerism is one of the most visible ways

for organizations to demonstrate their social responsibility (De Gilder et al., 2005;

Peloza & Hassay, 2006). The Cause Evolution Study, conducted by Cone (2007),

indicates that 93% of the employees have a desire to be involved in CSR initiatives of

the company. Timberland, a leading shoe manufacturing company, together with

exercising safe environmental practices and other forms of CSR, also believes that

people have the power to transform communities and make a difference in the world

(Timberland, 2010). To lead by example, it encourages its employees of over 35

countries to use 40 hours of annual paid time off to work on different service projects in

their respective communities through their *Path of Service* program. Timberland

employees engage in art and cultural education, expand rural medicine, create bike

trails to encourage alternative transportation, help physically challenged youth and

adults to develop self-esteem, participate in construction of playgrounds, community

gardens, homes, and other volunteer activities. Many employees consider such

opportunities a key factor to stay in the company, thus saving Timberland more than $1

million a year otherwise needed for recruitment and training of new employees (Hall, 2008).

Another example is American Express, which has created an Employee Volunteer Program web-site to better support employees in search of volunteer opportunities. Through this web-site employees can post and view available projects in their communities or beyond, sign up for projects, recruit colleagues to join volunteer teams, and track participation for activities like feeding the hungry, mentoring students, building homes, cleaning up the environment or making personal financial contributions (American Express, 2010). The company's Global Volunteer Action Fund grants recognize and reward employees for their volunteer efforts and contributes up to $1,000 to the NGO based on employee volunteer efforts. Through its gift matching programs in 2009 the American Express Charitable Fund provided $5.3 million in funds to match $5.1 million in employee donations. In addition, the fund awarded $245,000 to 201 nonprofits in 13 countries on behalf of its employee's volunteer service in 2009.

Microsoft partnered with American Association of Community Colleges (AACC) to address the problem of the shortage of information technology workers. Together with financial donations and technical assistance, Microsoft's employee volunteers used their professional skills to assess needs of colleges involved, help develop appropriate curriculum, and create faculty development institutes. As a result, many communities benefited, valuable human resources for the company itself were raised and nurtured (Porter & Kramer, 2006).

NGO-corporate Alliances

Partnership between Chiquita, a famous producer of bananas and other fruits and Rainforest Alliance, an organization working on environmental issues is one of the

most prominent examples of NGO-corporate alliances that benefited the cause and both parties. Before the partnership started, Rainforest Alliance was a relatively less known NGO, still accumulating experience and reputation in the environmental certification of cash crops. At that time, Chiquita had somewhat shadowed reputation after allegations of funding political movements in South America, exploiting workers and causing damage to the environment. Both organizations analyzed capabilities and resources of the other party to evaluate whether they could achieve something bigger together than alone. While Rainforest Alliance offered necessary reputation, linkages, social and political capital, Chiquita possessed necessary cultural and economic capital, as well as the right product (bananas) to sell (Shumate & O'Connor, 2007). Together they introduced Better Banana program, adopting standards for water quality, worker health and safety, and wildlife habitat protection. Chiquita Banana regained its reputation, while Rainforest Alliance became internationally recognized NGO that runs certification for crops including coffee, timber, citrus, cocoa and bananas. With the help of Chiquita it survived constant vibration of NGO sector, and the *Rainforest Alliance Certified* is the only NGO certification standard recognized by the United Nations (Shumate & O'Connor, 2007).

Another successful partnership example is the alliance between FedEx and Environmental Defense Fund to develop a delivery truck that dramatically decreases emissions while increasing fuel economy. The result was a diesel-electric hybrid, an ideal application for hybrid technology, given the frequent stopping and starting of delivery trucks and the amount of pollution and greenhouse gases they emit. Both companies shared a common vision and objective, while FedEx pressured manufacturers with its purchasing power, and Environmental Defense Fund provided environmental standards for the process. As a result, delivery trucks use hybrid electric

technology that is both cost-effective and environmentally friendly (FedEx, 1995-2010).

The project transformed the market for clean truck technology across the industry,

while FedEx, committed to the improvement of the environment, established itself as a

leader in clean truck technology, enhanced brand value, and reduced risks associated

with fuel use and emissions (GEMI & EDF, 2008).

Business Forums

Business in the Community (BITC)[31] is a British national business-led coalition

dedicated to social responsibility. It works with businesses to ensure sustainable future

for people and planet. Established in 1982, the organization now has more than 830

members and over 100 international partner organizations. It encourages and helps

members to have clear leadership, governance and values, develop employees and the

workforce, positively influence behavior through products and services, manage social,

environmental and economic impacts of supply chain, invest in communities in which

businesses operate and are in need, take action to reduce climate change and partner

with others to ensure greater impact and change (Business in the Community, 2010).

The coalition offers numerous training and experience exchange opportunities to its

members, to provide them with necessary skills and most up-to-date knowledge on CSR

development.

Chaired by the Prince of Wales and led by the team of experienced and

influential business executives, BITC supports, but at the same time challenges business

to improve its performance and benefit society through community engagement,

environmental protection, improvement of the workplace and the marketplace. The

coalition publishes projects started by various initiative groups of businessmen and

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[31] http://www.bitc.org.uk/

provides others with the opportunity to get involved. For example, Business Action on Homelessness tries to support homeless people to get back to work and enables businesses to find talent where they least expect it. Together with the need the coalition communicates obvious benefits of such involvement – personal and professional development of the staff, volunteer opportunities, cost-effective recruitment procedures, staff diversity and networking opportunities. At the same time, it gives very specific directions of how companies can get involved in the given project, whether it's holding trainings for homeless clients or acting as pro bono support for the given initiative.

Another interesting field of activities of the coalition is the Awards for Excellence initiative, which is an independent and peer-assessed corporate responsibility award implemented together with Financial Times. These awards recognize and celebrate companies that have demonstrated creativity and innovation and are committed to corporate responsibility.

CHAPTER SIX. IMPLEMENTATION

When it comes to implementation of the given project, it is obvious that its large scope requires joint efforts of multiple players from different sectors. However, I see my role as a consultant to make a modest contribution to already implemented initiatives, raising awareness and creating the need of CSR. I have tentatively divided my future activities into introduction/awareness, individualization, and advocacy stages. All three are ongoing phases with no specific start and end date, but they are closely interrelated and will feed into success of another.

At the initial, introductory stage of implementation of this project I believe it would be beneficial to hold series of presentations on CSR. For this, I will use both personal contacts and other more official channels to get in touch with business representatives, organizations or government officials that deal with business development (for example, business consultants and advisors, ministries, Chamber of Commerce, Union of Large Tax-payers, etc.). Such initial presentations will be focused mainly on the concepts of CSR and the advantages that business will have if they decide to start implementing CSR-related activities in their organization. It will also introduce different ways of implementing CSR and emphasize some of the most innovative ways of how to make CSR less costly and more efficient. At the beginning I will target mostly large companies that have a certain history of implementing social projects (banks, large car dealers, food producers, telecommunication companies) and build on the social issues they are already involved in. However, I would also like to organize meetings and presentations with companies of smaller size or no experience to introduce them to the opportunities and benefits of doing CSR.

Together with working with business representatives, significant awareness work has to be done with local initiative groups and non-profit organizations. It is

necessary to raise their awareness on their rights and equip them with tools to follow up with business practices. It would also be beneficial to help them identify areas where they could successfully work with local businesses and generate mutual value.

The next individualization stage will include working with specific business organizations individually to help them come up with CSR plans that are tailored towards unique needs and available resources. At this time, it is important to first study the history and current activities of the given organization and build upon their existing experience. The intention is to start with small, but meaningful steps that will enable seeing first results in a relatively short period of time and raise their motivation to implementing larger-scale projects. However, I believe at this time it is necessary to institute a participatory decision-making process, where stakeholders (at least employees) will be welcome to come up with ideas and make contributions to the future projects of the organization. This way employees will be more likely to embrace the new initiatives and communicate consistent messages. I believe it is also crucial to duly evaluate and communicate results of the projects implemented to raise the profile of the business itself and to set positive examples to other peers.

The third stage will include working with business and NGO representatives to initiate creation of CSR-related platforms and advocate for legal measures and state structures that support development of CSR. Such institutes, as described above, can be business forums, governmental offices and legislation that provide guidance and certain regulations or reliefs for socially responsible companies. This stage is contingent on successful implementation of previous two phases and can be flexible and creative depending on the results of the previous efforts.

I believe that the most important role I can play is to nurture already existing desire of corporations to play a role in the development of the society and show them

the ways in which they can still be successful by doing the right things. It is difficult to say where I will be in 10 years, but for sure I would like to make my small contribution to the well-being of the Georgian nation.

CHAPTER SEVEN. CONCLUSIONS

CSR is a field that has a big potential for development in Georgia. As western countries have already developed wide array of practices and examples, Georgia most certainly has an advantageous position to learn from already documented and well-tested models. However, it is important to realize that CSR is not a math-like science with specific correct answers to given problems. Even though this project provides various successful and desirable examples from countries with developed democracy and economy, Georgian context is uniquely different and most importantly, constantly changing. Therefore, it is important to realize that developing CSR in Georgia is not a simple copying exercise, but a learning experience. As many things have to be started from scratch, it will be interesting to observe how processes develop and draw conclusions on what works best in the given context. This way we can develop best practices and models of our own that can be shared with countries of similar context.

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