

## Section 7. Economics and management

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### **CORPORATE RESPONSIBILITY IN GEORGIA: CHALLENGES AND NEW OPPORTUNITIES**

**Abstract.** The goal of the scientific article is to search the challenges of corporative responsibility of buisness sector and new oppourtunities in Georgia. The article presents an analysis of the main findings of the study based on information provided by businesses, experts and media representatives. The research is fully based on the information provided by the companies in the frame of interviews.

**Keywords:** business sector, corporate responsibility, corporate management, responsible business, inclusive politics, gender equality, marketing budget.

#### **1. Introduction**

Covid-19 pandemic caused social, economic and the environment protection crisis as in different countries of the world as in Georgia. Progress of countries in meeting the Sustainable Development Agenda has been significantly hampered and in some areas the situation has even deteriorated (Vanishvili Merab, et al. [13]).

The following challenges were mainly identified in corporate liability in companies operating in Georgia before the pandemic: low awareness, lack of strategic or systematic approach to the issue; Unpreparedness for multi-sectoral partnerships and mistrust between sectors.

The pandemic has further enhanced the importance of responsible business behavior and demonstrated the leadership of companies around the world in the regard of copying with social, economic and environmental challenges (Otinashvili Ramaz, Vanishvili Merab [4]).

Accordingly, conducting of searching of corporative responsibility in Georgia again, became important in order to establish how the behaviour of Georgian business and their attitude towards corporative responsibility changed in the results of the pandemic.

The world business community convinced once again of the importance of corporate responsibility for risk management or business sustainability.

Corporate responsibility is beneficial to both business and society and the environment – this is an inevitable fact (Vanishvili & Katsadze [12]).

This scientific article reflects both the immediate steps taken by companies in response to Covid towards employees, partners, customers or the general public, as well as their future plans for the implementation of sustainable and responsible business.

## 2. Materials and Methods

The aim of the study is to determine how the economic or social crisis caused by the pandemic has affected the behavior of the business sector, in the social, environmental or governance direction. In order to prepare a scientific article, a qualitative research methodology was developed and the following work was carried out:

*The first stage – in-depth interviews:* Qualitative research was conducted using in-depth interviews to obtain exploratory information. Structured questionnaires included open-ended questions; A total of 120 in-depth interviews were conducted, including with 108 businesses, 7 industry experts and 5 media representatives. Online meeting platforms were used to conduct the interviews.

*The second stage – Focus Group Sessions:* Following the in-depth working interviews, focus group sessions were conducted to reveal common challenges in regard of corporate responsibility during pandemics in the companies existing in Georgia. The focus group issues included 9 topics for discussion. Three focus-group separate sessions were held with the representatives of small, medium and big companies. Each session of the focus-groups was conducted via online platforms.

## 3. Results and discussion

Based on the research, the results were sorted into the following main thematic areas: strategic approaches to the corporative responsibility and priority directions; corporate responsibility decision making process; social or environmental resources allocated to the business sector; coverage of corporate liability; sustainable corporate governance and

labor relations; basic challenges and new business opportunities; multi-sectoral cooperation within the framework of corporate responsibility.

**3.1. Strategic approach to the corporate responsibility and priority directions:** the conducted research confirms that there is not a written corporate responsibility strategy document in most of the surveyed companies. Exceptions are large companies operating in the retail market (mainly financial institutions) and Georgian offices of international companies (Merab et al. [2]).

The priority areas defined and established in terms of corporate responsibility are mostly found in large or some medium-sized companies; On the example of the surveyed large and some medium-sized companies, the following priority areas in terms of corporate responsibility were identified: Support for persons with disabilities and socially vulnerable groups, education, innovation, promotion of sports and healthy lifestyles, protection of the environment and use of secondary resources, care of employees, empowerment of women and support of gender equality, support of the arts (Vanishvili & Sreseli [11]).

**3.2. Corporate Liability Decision Making Process:** It was revealed that the budget allocated within the framework of corporate responsibility and a separate structural unit / a manager are not found in most of the companies operating in Georgia, besides in exceptional cases – large financial institutions, hotels, shopping malls, construction companies and local offices of international companies (Vanishvili & Lemonjava [8]).

In the case of most of the surveyed companies, the decision-making structural unit is: Marketing / Public Relations, Human Resources Department / Manager, as well as in some cases Administrative Department / Manager or Director (mainly in medium or small companies).

**3.3. Resources allocated for social or environmental direction in business sector:** In most cases (for large and medium-sized companies), the budget allocated under corporate responsibility is a part of

the marketing budget or reserve funds. Small companies basically allocate budgets spontaneously for one-time activity (Vanishvili, Katsadze et al. [10]).

Representatives of the surveyed companies note that the decision-making process under the influence of the pandemic became faster and more flexible. Companies that did not shut down during the pandemic noted that the decision-making process for funding charitable and social projects was particularly accelerated.

**3.4. Coverage of corporate responsibility:** In the case of large companies, corporate responsibility is covered using both traditional and modern media platforms – social media, online publications and etc. In the case of medium and small companies, more emphasis is placed on low-budget media outlets for corporate liability coverage.

The pandemic in the use of communication channels did not lead to significant changes in large companies. Some companies, especially small and medium-sized companies, have paid more attention to web and social media platforms, which in most cases represent their own or their partners' Facebook pages and Internet media. Also, it was revealed that most of the surveyed companies do not cover charitable activities at all. The reason given is that they do not consider it expedient to speak about it in public and there are some moments of inconvenience (Vanishvili, Lemonjava et al. [10]).

**3.5. Sustainable corporate governance and labor relations:** During the pandemic, large companies were able to reorganize and implement some of their corporate responsibility activities on online platforms, while medium- and small companies found themselves in a rather difficult situation and took responsible actions only whenever they were possible.

There was also a case when the surveyed company created a “mental well-being library” where employees could find a variety of training and educational resources to help them cope with stress. One of the major financial organizations noted that an online garden was created on the online work platform for

the children of employees, and applications for users have been refined to minimize the need for physical contact with managers (Bedoshvili et al. [1]).

Most of the surveyed companies note that the pandemic also affected the mental and psychological state of employees, especially during the first wave of the virus. Some companies (mostly large companies) reported that they had taken various measures to provide moral and psychological support to their employees. In particular, a number of large companies: hired psychologists, gave employees access to various psychological support applications, conducted webinars, as well as organized incentive activities. While, most of the medium and small surveyed companies used the method of active communication with them for psychological support of employees; Managers tried to encourage employees through personal and frequent communications (Shanava & Vanishvili [5]).

**3.6. Key Challenges and new Business opportunities:** Most of the companies named business rearrangement and digitization of processes as a new business opportunity, except when the specifics of the business did not allow them to do so.

Due to the pandemic situation, some companies managed to master new business opportunities, create and sell face masks, disinfectant solutions, as well as companies became more active in the field of delivery service.

According to the companies surveyed, the main business challenges during the pandemic were: Instability of financial resources, challenges of teamwork due to remote working regime, the problem of technical equipment of employees, malfunction of communication channels with suppliers/customers.

Due to the remote working mode, the communication between the employees and the management was intensified in terms of the challenges arising in the team working process. Also, various activities were introduced – online trainings, seminars, joint efforts to adapt to the online working process (Shanava & Vanishvili [5]).

**3.7. Multi-sectoral cooperation within the framework of corporate responsibility:** In terms of cooperation, it was revealed that due to the pandemic, there is a growing trend of partnerships between businesses and non-governmental organizations, charity type partnership projects increased partnership-type partnership projects (Mihailovich & Elishukovna [3]).

In terms of partnerships, most of the large surveyed companies noted that progress had been made, representatives from the different sectors united (e.g., shopping malls, tourism sector representatives) and worked together on joint projects to cope with the pandemic difficulties. A part of the small companies stated that their main concern was “self-preservation” and the situation did not change in terms of partnership issues. In their case, multi-sectoral cooperation was not intensified within the framework of corporate responsibility.

#### 4. Conclusion

The following conclusions and recommendations may be made as a result of the research:

1. The written corporate responsibility strategy is almost not found in companies operating in Georgia, except for large companies. In addition, corporate responsibility issues are mainly found in marketing strategy.

2. With the exception of some of the large companies operating in Georgia, almost no company has a separate department/manager to make corporate responsibility decisions. This function is often

assigned to the management departments of marketing or public relations, communications, human resources or manager and it is a responsibility of the director or his/her assistant in small companies.

3. During the pandemic, switching to remote working mode and digitizing business as well as developing new digital products were named as a new business opportunity. As for the business challenges, the following key organizational problems were identified: Instability of financial resources, challenges related to teamwork due to remote work regime, problem of technical equipment of employees, malfunction of communication channels with suppliers/customers.

4. Due to the challenges caused by the pandemic, communication between the government and the private sector increased. In addition, during the pandemic, examples of cooperation between competing companies or companies representing different fields were identified in some areas.

5. The need to raise awareness of corporate responsibility for Georgian businesses should be especially emphasized. It is important that companies must see the true value of corporate responsibility, know where the line lies between marketing and corporate responsibility.

6. It would be interesting to develop an awareness-raising strategy on corporate responsibility at the country level, describing long-term and short-term goals in this regard, strategic alternatives to achieve them, the parties involved and their role.

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