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**The Reality of Corporate Social Responsibility in America and  
its Geography  
(1990-2015)**

**Tamar Lazishvili**

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**Scientific Supervisor:** Professor, Doctor Irine Bakhtadze

\_\_\_\_\_  
(full name)

I confirm that the work corresponds to the field, is characterized by novelty, scientific and practical value and is presented by the format defined by International Black Sea University.

\_\_\_\_\_  
(supervisor's signature)

**Experts (full name & academic title):**

1. Professor, Doctor Tatiana Papiashvili

2. Associate Professor, Doctor Vakhtang Maisaia

**Opponents (full name & academic title):**

1. Professor, Doctor Erekle Astakhishvili

2. Professor, Doctor Charita Jashi

I acknowledge that this is my own work, which is presented in the format defined by International Black Sea University and is attached by the publications relevant to the dissertation.

\_\_\_\_\_  
(Doctoral student's signature)

# INTRODUCTION

## Problem statement

Today's increased interest in the proper role of businesses in Western societies is supported by amplified understanding of environmental and ethical issues. Issues like environmental harm, inappropriate treatment of workers, and imperfect production leading to customer troubles or even a danger to health are highlighted in the media of the US, UK, Europe and in other developed countries, and are frowned upon as unethical business practices.

Customers in the US and other highly industrialized countries have become progressively more responsive to the CSR behavior of corporations from which they purchase goods and services. With publics now demanding businesses operate in more sustainable, environmentally-friendly and socially acceptable ways, companies must react to these demands if they want to retain their clients and retain a positive image of the company.

CSR (also called corporate citizenship corporate conscience, social performance, or sustainable responsible business or responsible business) is a form of corporate self-regulation integrated into a business model. CSR is a relatively new theme for theoretical consideration but it is a policy that guides many businesses in today's modern world, and is desirable for those especially operating in developed nations.

Historically the concept of CSR finds its roots mainly in the Western world, in particular in the US where individualism and arms-length relationships are predominant. (Carroll A. , 2010, p. 91). An interest in corporate responsibility studies arises with the increase of large multinational corporations' activities being subject to intense public scrutiny. Multinational corporations have to bring hope, opportunities and comfort to people around the world, but in some parts of the world they bring despair, misery, and threat. Consequently, there is growing pressure on such corporations to '*clean up their deeds*' and act more responsibly towards the planet and its people.

Despite powerful rhetoric expressed by big businesses about their genuine motives for ethical business activities, CSR is dictated by business interests and serves as a *social license* to operate. "The license to operate is an unwritten contract; some call it a social contract, between the operating facility's key

stakeholders – such as neighbors. Local government representatives, students, non-government organizations (NGO's) and other interested parties.” (Stanley, 2010, p. 204). In addition, multinational corporations operating in developing countries largely have a reputation of using double standards in CSR. In developing countries CSR continues to exist on paper and is not fully implemented in reality.

The most active advocates of sustainability tend to question the CSR motives of business. Businesses are the origin of the problem; hence the problem should be solved by regulating the source. But the irony is, businesses are presumably the best accessible solution to the existing challenges. Big businesses are the ones that, if conducted responsibly, are capable of bringing innovation, creating better solutions and being a part of the driving force of development that will eventually bring Third World countries out of poverty and hardship, and ultimately achieve sustainability.

The only solution to this dilemma is to broaden CSR policy and intensify activities. International operating businesses should recognize their mission in further sustainable development of the world economy meeting CSR policy requirements, thus paving the way for future generations to enjoy a stable and balanced world. The way to world sustainable development passes through increasing SCR responsibilities.

The main criticism is that CSR is solely the projection of an attractive image; the idea of an “ethical company”, to critics represents an oxymoron, given that the corporation by its nature is duty-bound to maximize its own monetary value often at the expense of ethical considerations. Corporate executives and employees therefore have clear incentives to implement the fundamental obligation of their business which is to maximize profits, sometimes to the extent that they abandon their moral and ethical principles. The ramifications of this can be seen in the myriad corporate scandals around the world surfacing in the late 20th and early 21st centuries.

The problem addressed in this thesis is rather complicated and challenging; in developed countries and particularly in the US, companies are bound to consider their social responsibilities, as well as ethical and moral values, to respond adequately to civil society's demands, whose support in turn is necessary for a company's success. Companies have to find a reasonable equilibrium between their primary goal – to maximize profit – while at the same time meeting both local and global social responsibilities. In the 21st century, a company's good reputation that is supported by civil society is becoming more important for the accomplishment of goals, now more than ever. The US

government articulates its commitment to CSR principles and supports CSR policy by expecting and demanding large corporations operating in their country to behave and operate responsibly. On the other hand, large multinational corporations operating in developing countries have a sense of power over local governments, giving them an advantage, and with massive stocks of private capital, these companies are much wealthier and influential in the global arena than any government of a poor country.

As we will later observe in the case studies presented in Chapter 2, many multinational companies are not sincere about CSR and their attitudes change according to geography. Evidence shows CSR is less practiced in Third World countries where exploitation is rife. Corporations have discovered that in poor regions desperate for help, they can afford to have an indifferent attitude toward CSR and their image, can pay low wages and avoid tough health and safety regulations that would be obligatory in their home countries. In many cases such companies disregard human rights and environmental issues. One of the main charges leveled against global corporations is that they adopt double standards of CSR – they practice reasonable CSR in America and in other industrialized countries while ignoring it when operating in developing countries. Are they knowingly flouting the rules or are they purely adhering to the rules of the country they are operating in? Even so, large companies know better and should act responsibly regardless of which country they're operating in.

### **Goal Statement**

The goal of this qualitative research is to critically assess the theoretical basis of CSR and reflect on its growing importance in the world, as it has to face the challenges of democratic development of the modern world including peaceful and sustainable economic progress, principles of equity and equality. One of the major goals of this thesis is to study how the activities regarding social responsibility of several of the world's largest companies differ when they operate in various parts of the world, and to what extent their proclaimed and widely advertised CSR policies diverge from their actual practice in developing countries with weak civil society and governance zones.

With particular emphasis made on disregard of CSR by multinational corporations in underdeveloped countries, the thesis attempts to find out main reasons for such poor practices (cases of Georgia, Nigeria, Kenya, India), and tries to identify, analyze and test out a few causes, such as, low awareness of citizens, weakness of government, as well as poor political, social and economic conditions of the country within the framework of this thesis.

## **Research Objectives**

The Research Objective of this thesis is to critically analyze the current issues regarding CSR in companies that operate both in First and Third World countries, and how the CSR practices of these companies differ depending on which country they're in. There is explicit proof that multinational corporations' exercise discriminating CSR measures when operating in certain parts of the globe; and this thesis will investigate and assess the reaction to the varying business practices and investigate why is it allowed to happen. Furthermore, this thesis will analyze how the CSR of several multinational corporations change in different parts of the world and how their responsible behavior alters according to the level of economic development of the country they operate in. Additionally, this thesis will investigate how giant conglomerates react to pressure put on them by different governments and how they react if they face official resistance; and finally, this thesis will investigate how such giants perform if they feel no opposition at all.

## **Research Questions**

This thesis aims to answer the following questions:

**Q1.** What are the main reasons for violating CSR in third world countries?

**Q2.** Why do double standards of CSR exist, and why do some American and international companies tend to avoid their proclaimed CSR principles in socio-economically unfortunate developing regions?

**Q3.** What were the main reasons for the attempt of using double standards by Beyond Petroleum (BP) a large multinational corporation, when working on the BTC pipeline?

**Q4.** What is the difference between CSR social awareness in the US and Georgia, which is just making its first steps towards raising social awareness and implementing CSR practices.

## **Novelty and Actuality**

CSR is a relatively new theme for theoretical consideration. In developing countries CSR is not often discussed among researchers. CSR is a relatively new theme for theoretical consideration. In developing countries CSR is not often discussed among researchers. Through the research it is clear that the Georgian people (public and private sector) are less informed about the importance of CSR,

and because of this low awareness the public does not expect it and therefore does not demand socially responsible behavior from companies operating in the country.

It is suggested there is no scientific research conducted about CSR in my home country Georgia. Very slowly Georgia is developing and adopting internationally-recognized standards into its own environment, however, this knowledge is open to a small percentage of the population therefore it is fair to say Georgia faces an uphill battle to ensure companies, local and foreign, adopt CSR into their operations.

Overall, this research was driven by the fact that there is virtually no awareness of the importance of CSR in Georgia, so this thesis further aims to demonstrate the necessity of building positive perception of CSR among citizens of Third World countries.

Steady but meaningful opposition against Multinational Corporation BP was analyzed by Georgian Government together with nongovernmental sector and supported by international society was analyzed and results were assessed.

Comparative study was conducted of American and Georgian employees to measure the level of external and internal awareness towards different issues regarding CSR, according to two countries with different levels of economic development.

The second research conducted serves the purpose to study the level of external awareness towards CSR issues among Georgian students. Finally, two target groups were compared. It is suggested it was the first time a public opinion was studied regarding CSR awareness in Georgia.

### **Practical and Theoretical Value**

Today, different publics in the developed world are extremely aware and sensitive towards environmental and ethical issues. CSR issues are highlighted intensively in the media, which has contributed to pressure being put on companies to operate in an economically, socially and environmentally sustainable way. At the same time, the publics in developing countries (among them being Georgia) are less informed about the concept of CSR therefore have no expectations companies should act a certain way.

This dissertation will present a critical review of the existed theories around the concept of CSR, discuss the notion itself and its related concepts, and include methodological approaches to study CSR and a critical view of this phenomenon.

The thesis claims to extend the theoretical approach based on the analysis of the results of the authentic case study of BP in Georgia. Also, it goes further to extend theoretical discourse through comparative analysis of different case studies around the world.

### **Hypothesis**

**Hypothesis:** International companies would be less able to forget their CSR obligations when working in developing countries, while conducting high standards of responsible behavior in industrial countries if they faced some kind of opposition from the local governmental or non-governmental sector.

### **Research Methods**

This thesis is based mostly on qualitative methods using case study examples and interviews. A considerable amount of material was collected through surveys, conducted online and in person. In an attempt to answer the research questions raised earlier in this thesis, several cases have been explored from multiple perspectives to better understand the distinctions between multinational corporations' CSR policies dictated by the level of development of the country they operate in.

Three main cases will be analyzed based on comparative analysis to reveal the similarities and differences between countries in regards to the CSR activities carried out by two multinationals that operate in the US, Nigeria and Georgia. Each of the multinationals' response to a disaster will be analyzed according to the three different abovementioned host countries, e.g. how the environmental issue(s) were resolved and how the companies implemented their responses following disaster and actions (if any) to mitigate environmental harm caused. Furthermore, smaller case studies will investigate the ethical activities of companies operating in other developing world countries such as India and Kenya.

The research makes use of primary and secondary sources using publicly available information on companies' websites, online newspapers and NGO reports, as well as scholarly articles, books and video materials. The sources used in the research are in English and Georgian languages.

Qualitative research was conducted by interviewing Manana Kochladze, chairperson of the Georgian NGO 'Green Alternative', who is also the author of the research 'Beyond the Pale: Myth and realities about the BTC development model.'

A second in-depth interview was conducted by interviewing Georgia's former Minister of Environment Protection and Natural Resources Nino Chkhobadze (1995-2004), who was actively involved in the negotiation process of choosing an alternative route of the BTC pipeline, which travels through Georgia. This is one of the case studies examined in this thesis.

Qualitative research was conducted by distributing online surveys to Georgian and American employees of large and medium-sized organizations (in Georgia and in the US) to examine their level of internal and external awareness of CSR, how they assess the organization they work for in terms of CSR and how they assess multinational corporations operating in their country for CSR. Each respondent's personal understanding, demands, expectations, and the gap between the expectations and demands between local customer and the customer in industrialized countries will be examined also.

An online survey was sent to Georgian students from several different universities all over the country to explore their understanding and level of awareness of the concept of CSR, gauge their assessment of CSR obligations and actions of companies operating in their home nations.

Primary data analyzed in this thesis was obtained through in-depth interviews at locations convenient to the respondents. Both quantitative and qualitative data was obtained from US and Georgian respondents through online surveys managed by Survey Monkey software.

### **Framework of the Research - Limitations**

The thesis examines the problem within the years 1990s to 2015 era. Following the research objectives, this thesis explores the theoretical framework of the concept of CSR and critically assesses current discourse around the issue. It will not examine the specific political aspects of CSR activities or of the case studies presented, since this exceeds the scope of this research.

### **Chapter 1. Literature Review of Corporate Social Responsibility**

Corporate Social Responsibility (CSR) is defined as "accepting that a company's concerns should go beyond the bottom line to the health and well-being of the world it belongs to, seeking to reflect society's highest values, protect its environmental bounty, show respect for human rights and be a positive contributor in the wildest sense to the community." (Egan & Wilson, 2002, p. 68). Since CSR is traditionally regarded as a "peculiarly American phenomenon, reflecting American traditions

of participation, and self-help (Andre, Jonker, & Schmidpeter, 2005, p. 335) the analysis in this chapter is largely based on relevant literature from the US.

The main thrust is that the corporation's goals should not only be to maximize profits and return to investors, but also to maximize the total benefit it provides to all of these stakeholders in the organization. Involving public benefit, in any form in the process of wealth creation, is an extremely positive phenomenon for society, which if managed properly, should on one hand enhance the competitiveness of the business itself, and on the other hand maximize the value of wealth creation to society. But the most important thing is that no matter how the process of CSR is managed, the main priority is the final outcome – that this is good for society.

In the late 19th century businesses in the US had increased awareness of the needs, interests and benefits of their employees, and their influence on society in general. At the same time, philanthropists from the business sector came to the stage in the US. Paradoxically, many of those entrepreneurs who exploited workers and local communities were also among the world's greatest philanthropists. (The most vivid examples of this were John D. Rockefeller and Cornelius Vanderbilt). Although sometimes named as robber barons, these people give millions of dollars to charity and educational institutions. Charitable donations as a form of CSR were mentioned in historical records as emerging around the time of the Great Depression.

The first official CSR initiatives were a response to public pressure and media reports of poor company behavior. In June 2001, the *Guardian* published an article urging its readers not to buy products from the American gas and oil giant company Exxon. Under the headline “Join the boycott against Exxon now” (Join the boycott against Exxon now, 2001) the author accused Exxon of neglecting the threat of global warming. This recommendation from the *Guardian* – one of the leading newspapers - threatened one of the biggest companies in the world not only in terms of profits but also its very existence.

Within the new world order, multinational corporations are very influential due to their colossal economic power considering the fact that globalization itself is regarded as a business-driven phenomenon. The largest multinational corporations are today wealthier than many countries and, owing to their transnational nature, are often no longer under the regulations of their home governments.

From that a variety of corporations on both sides of the Atlantic found themselves under public pressure. The acronym CSR became indispensable for every company wanting to be progressive. This was the new reality corporations had to face. The balance of power between customers and corporations was changing, with the power transferring to the consumer. The court of public opinion became the supreme judiciary body.

Many companies are not honest with CSR policies since their attitude often relates to geography. Proof of this can be seen through the exploitation of third world countries. One of the main charges against global corporations is that they have reasonable CSR in industrialized countries but ignore their responsibilities when operating in developing countries. If in wealthy and developed countries, there are more means to regulate companies' CSR, in developing countries there are fewer ways to do so, so companies are able to get away with unethical behavior. In the majority of cases, in third world countries national laws are less rigid, and governments are reluctant to put pressure on corporations who make large investments in their country. Attempts by governments of third world countries to attract foreign investments are so great that they often agree to limit regulations. Without any objections or pressure, corporations are allowed to play the game with their own rules.

### **1.1. Summary**

The evidence and judgment provided in the present thesis advocate that though in many cases the corporations use CSR as a 'shield' to defend themselves from public accusations, or in other cases, use double standards, try to "greenwash" their unethical actions. The power concentrated in the hands of such corporations impose on them also huge responsibilities as co-governors or co-leaders who must refer to different aspects of public life.

## **Chapter 2. Multinational Corporations and Corporate Social Responsibility**

The way in which CSR is practiced and communicated often relates to the level of economic development of the country and specific social contexts of society, such as public awareness towards concepts like CSR and sustainable development, and the expectations of big businesses operating in the country.

In developed nations like the United States, businesses often face high costs to adopt and enforce strict environmental standards, and if accidental damage to the environment occurs, these companies face maximum costs of responsibility. Therefore, to reduce costs and possibly time constraints, such

companies venture to less developed nations to carry out operations in a less regulated environment. Unfortunately, this typically means low income nations can become 'pollution havens' for giant multinational corporations, where they can intensively pollute the environment, very often without being held accountable for carrying out unsafe business practices, while maximizing their profit.

In the absence of a sufficient judiciary body many corporations adopt voluntary codes of conduct and practice varying levels of CSR and sustainable development in different parts of the world, according to where they operate. Unfortunately, national governments of poorer countries are often so desperate to attract foreign investment that they allow business giants to commit environmental crimes in their own backyard. The colossal power and influence of multinational corporations, the power of which far exceeds the power of governments in third world countries, together with insufficient national and international legislation means that now, more than ever, there is great need for an international, legally obligatory judiciary agency to stop environmental crimes, especially in developing countries as these countries are the ones who suffer the most. However, before an international judiciary body is established to regulate the operations of multinational corporations in developing nations, the governments of the host country together with the non-governmental sector and the civil and public sectors should defend their country and their rights against corporate greed and abuse.

### **Shell in Nigeria**

Although oil and gas multinational conglomerate Shell has always claimed its commitment to CSR and sustainable development, the reality is Shell has extensively contributed to environmental damage in Nigeria. In recent decades Nigeria's oil production provided more than 95 percent of the country's hard-currency earnings. While this could bring prosperity to the country, it has brought nothing but misery, human rights violations and significantly damaged the local environment especially in the oil-rich area of the Niger Delta.

In the past Shell produced 800,000 barrels of oil per day in Nigeria, representing hundreds of millions of dollars in annual revenue. The profits are vast but for many, so are the costs. Shell's negligent attitude to cleaning up oil spills and repairing old pipelines continues great pollution in the area. Shell would not have this careless attitude if it was operating in a first world country, nor would this type of attitude ever be tolerated. So why is this tolerated in Nigeria? Why did the Nigerian government allow this to happen? The Nigerian government was not prepared to put any opposition to Shell; neither human rights nor environmental issues were allowed to be put on the agenda. The Nigerian

government are supposedly the leaders of the country yet it is uncertain whether Shell or the Nigerian government holds vital power over the country.

In 2016, after decades of oil spills, Shell agreed to pay a hefty court settlement for pollution caused by two oil spills in 2008-2009. While this was a substantial sum, it will not reverse the devastation to the environment which was caused by Shell over a long period of malpractice.

### **British American Tobacco in Kenya**

BAT contracts farmers to cultivate tobacco in Kenya in accordance with the company's instructions, which involves spraying pesticides that are extremely dangerous to a person's health. The company is knowingly putting the lives of Kenyan tobacco farmers at risk by supplying them with a pesticide that they cannot use safely. An article published in 2002 identifies the pesticide as Aldrin, which most Western governments either ban or severely restrict. As the article states, most Western governments ban or severely restrict the use of Aldrin pesticide, so why is this British –American conglomerate allowing and endorsing the use of such a harmful chemical in Kenya? This is a clear ethical issue and example of BAT exercising double standards of CSR by using a chemical in farms in Kenya that is prohibited in their home nation.

### **Coca-Cola in India**

Coca-Cola is another giant corporation that preaches ethical and responsible behaviour but the reality is, Coca-Cola's behaviour cannot be considered once as such in India. In one of the regions of the country where Coca-Cola's factory operated, the factory used to consume more water than the source could provide. In addition to emptying local water sources, Coca-Cola was accused of disposing toxic waste from the factory and polluting the environment.

Local authorities became aware of the problem and took action. A local court banned the Coca-Cola factory from drawing any more water from the region and Coca-Cola was also requested to find an alternative water source for its production process. Initially this issue remained hushed from the wider world but word soon spread. News of Coca-Cola's unethical behaviour in India permeated the developed world, leading university students throughout the US and Europe to vote and cancel contracts with Coca-Cola in protest of the company's unethical business practices in India.

Giant multinational corporations like Coca-Cola can provide many benefits to the developing countries they operate in, such as India. These benefits and investments can be crucial for the future development of third world economies. However, these conglomerates may also exploit the neediness of poor nations and bring with them unethical business practice, relaxed codes of conduct and corporate social irresponsibility.

### **BP in Georgia**

British Petroleum (BP) is one of the largest multinational corporations in the world and among the global leaders in the oil and gas industry. The company's annual profit in the first quarter of 2015 reached \$2.6 billion (British Petroleum, 2015) which when analyzed at an annual rate, could easily match that of several small nations. The nature of the oil industry demands companies to be proactive and socially responsible in addition to operating in an ethical and environmentally friendly manner. "Going green" is a recent trend that oil and gas companies have embraced; business practices may appear to be environmentally friendly but in fact it could be pure "greenwash".

During the recent decade through myriad of advertising campaigns and PR activities that promote BP as a green company, BP abandoned the name British Petroleum – a name it had for more than 60 years - and rebuilt the company's image as an entity that was looking towards, and contributing to a better world. BP went on to publically declare its determination to wholly re-adjust its business so it meets CSR principles and the needs of a more sustainable society. Since the company's rebranding in 2000, BP now claimed it went "Beyond Petroleum". The company's rebranding was part of an effort to portray BP as a green company that's wholeheartedly devoted to environmental issues, CSR principles and sustainable development of the communities it operates in. Rebranding is a useful tool to help a company become again relevant in the modern world. A fresh, rejuvenated look can encourage a more positive public perception and in BP's case, move away from the past and into the future.

The BP of today appears to meet CSR demands and tries to engage in ethical business practices, including being sensitive and responsible to environmental hazards if caused by its operations, especially in the United States and other developed countries. But this was not always the case.

BP has operated in Georgia for over 20 years. This relationship has been mutually beneficial but there have been tensions along the way.

### **The importance of the Route**

The route of BTC pipeline opened up an alternative supply of oil and gas to the US, who for a long time had been searching for a substitute source that did not pass through Iran or Russia. The BTC pipeline also lessened the world's dependence on oil from the politically unstable Middle East region; therefore, the US was heavily invested (financially and rhetorically) in the project's success.

### **Ecological Aspects of the Baku-Tbilisi-Ceyhan (BTC) Project**

For the small post-Soviet country, the BTC pipeline offered great rewards but also great risk. The pipeline presented a permanent risk of serious spills due to earthquakes. The pipeline also crossed the Borjomi region of Georgia – a blossoming tourist destination famous for its spectacular nature and restorative hot springs. The then Environment and Natural Resources Minister of Georgia, Nino Chkhobadze, was reported in November 2002 as saying she was categorically against the proposed pipeline route through Borjomi (selected by BP earlier the same month) because of the risk of “catastrophic environmental damage in the event of pipeline rupture”. The Georgian non-governmental association Green Alternative (Green Alternative) compiled a 220-page dossier alleging the project breached World Bank guidelines on 173 counts; including failure to consider the danger of earthquakes (Kochladze, Gujabidze, & Akhobadze, Green Alternative, 2004). BP did not take into consideration critique from the local NGO or the concerns of the Georgian government. Local news outlets reported on the issue, which eventually led to a growing level of mistrust and negative public opinion among the Georgian public, yet all these pressures were not enough to influence BP and despite massive protests, route of the pipeline was not changed.

### **Safety Aspects**

In spite of BP announcing all safety procedures had been taken and the new oil pipeline would not damage the environment, BP also faced criticism for covering up safety problems that could threaten a major oil spill. Specific criticism surrounded products BP chose to use in the pipeline despite the products being substandard.

In February 2004, British newspaper *Sunday Times* revealed that faulty paint was used for many of the joints in the pipeline on Azerbaijan and Georgian territory. After the story broke, BP was forced to admit that “more than a quarter of the Georgian joints were cracked” (Bankwatch, 2005) but the company claimed to have repaired the cracks along the pipeline with heat treatment. In 2004 the Georgian government suspended work on the BTC pipeline after BP decided to begin building the

pipeline in the Borjomi region. According to UK-based newspaper *The Independent*, the resumption of construction two weeks later came as a direct result of political pressure from the United States Bush-led administration. Washington had much to lose if the BTC pipeline project failed and it would use its political power to keep the project moving. So much so, a decision to resume the project was announced immediately after an unscheduled meeting between then Georgian president Mikheil Saakashvili and US Secretary of Defence Donald Rumsfeld. (The Independent, 2004).

### **BP's Reputational Challenges**

BP trumpets that it has “raised the bar” and «established a new international benchmark in human rights and environmental standards” yet these statements are not entirely accurate. In the case of the Georgian segment pipeline construction program, BP was at fault, begrudgingly admitted its fault and worked to resolve the issues and uphold its reputation in the eye of the Western community. BP's flawed activities in Georgia had tarnished the company's international reputation, so BP worked hard to rectify this. It is unclear whether BP would have taken the same approach had the West not got involved in the issue. As of today, no disaster has yet occurred around the BTC pipeline however the mere existence of this pipeline in the heart of the Borjomi/Kharagauli National Park is like a time bomb; merely being there puts the unique nature of the region under constant threat.

In the BP-Georgia example, no more than a week was needed for the oil giant to neutralize attempts by the Georgian government to preserve the unique ecology of Borjomi valley and get the go-ahead for construction of the BTC pipeline. Was the Georgian government too weak to force change? Financially, BP held the upper hand and ultimately made decisions that best suited the company and its objectives.

### **Interviews**

In the frame of this research, two in-depths interviews were carried out by the author, concerning BP operations in Georgia before and during the construction period of the BTC pipeline. Mrs. Manana Kochladze chairwoman of NGO Green Alternatives and Mrs. Nino Ckhobadze, the Minister of Environment and Natural Resources of Georgia at that time, were interviewed.

### **Summary of the two Interviews**

Both interviews conducted within the frame of this thesis shows that BP, a multinational corporation, used its influence to operate outside the normal standards of Corporate Social Responsibility. When working in countries like Georgia, such giant companies take less care of its operating requirements and put emphasis on other priorities, such as completion of works by any means within the shortest possible time and at the lowest cost.

Before BP began its operations in Georgia, the Georgian people and BP had different expectations of how the partnership would evolve. The expectations did not match reality. The Georgian side had an idealistic perception of BP with unconditional trust in the foreign company, while the BP side intended to build the pipeline through Georgia as quickly and cheaply as possible, with complete disregard of rules and CSR. BP wanted to focus on its own strategic interests without facing any extra trouble from the host nation.

For both parties the reality was different. BP encountered opposition from the government and an active NGO sector at a time when there was limited Internet access and the country going through a steep development phase. BP attempted to rebuff this opposition and even joked at Georgia's attempts to do so. But the truth is, this pressure did force BP to backtrack, apologize and take responsibility for their poor actions in Georgia. This was unprecedented, as Turkey and Azerbaijan offered no resistance to BP in their countries. This lack of resistance worked in BP's favor – the company took advantage of the unconditional trust and expectations of purely positive changes, and made many dubious decisions.

Interviews also showed that the BP-selected pipeline route crossed many sensitive areas. One of those areas was the strategic fresh water reservoir used by people living in Georgia's capital Tbilisi, and ultimately BP agreed not to put the pipeline through this valuable area. Also, it was thanks to a "lucky" coincidence when the pipeline section over the Mtkvari River near the capital survived – the Ministry requested to build a special structure but BP rejected the request however a flash flood caused no other option for BP as the proposed route was no longer viable.

Despite intensive efforts, nothing could stop BP from changing its decision to build the pipeline in the unique valley of Borjomi and Kodiana Mountains –an area marked by high-seismic activity and landslides. Furthermore, despite official requests, BP did not develop a powerful system of protection on the entire pipeline. In spite of the fact that BP would take responsibility if a spill or leak occurred, the risk assessment report was very low; the monitoring process during civil works also raised a lot of

questions. Georgia also faced technical problems; when it turned out that the pipeline coating did not meet international standards. If there was no journalistic investigation and no article published in a British newspaper, which was followed by discussions in the British Parliament, one can only assume BP would not recognize the technical malfunction.

Both expert interviews demonstrate the advantage of power of giant multinational corporations compared with the power of governments in developing countries. The BP representatives demonstrated their clear superiority when they allowed themselves not to attend vital meeting with local authorities. Distribution of disproportional balances between the first person of the developing country and a senior official of the large multinational corporation was so obvious, that the latter even insulted the President of the country without observation of any subordination and the norms of ethics. While in developed countries multinational corporations demonstrate high corporate social standards, in our country the Minister subjected to the multinational corporate pressure and as backstage information showed, BP representatives were even surprised when the Minister was not immediately fired from the position for her attempted resistance. BP expected Georgia to be subordinate and was surprised when the Minister had a backbone.

Both interviewers believe that it is imperative to raise public awareness and competence of the general public, particularly the younger generation, about basic business practices such as Corporate Social Responsibility. It is necessary to deepen education in order to reduce the gap between set expectations and demands towards CSR, which will increase in the future if Georgia is not subjected to law standards in a double standard world.

## **Summary**

In the absence of an international legal regulatory body keeping multinational corporations accountable, host countries are obliged to do their best to protect their citizens against abuses committed by international business corporations. However, citizens and the wider public must demand businesses working in their country adhere to adequate CSR practices. Unfortunately, investment-keen governments of developing countries often neglect these obligations and turn a blind eye to environmental violations and different wrongdoings committed by multinational corporations that bring income into a domestic economy. Governmental action to regulate multinational corporations to prevent from fully adopting double standards of CSR is exceptionally critical in weak and developing countries.

### **CHAPTER 3. CSR in America, Awareness towards CSR in the USA and Georgia (Surveys)**

Corporate Social Responsibility (CSR) plays an important role in corporate life in the United States (US) today. It is not enough for large corporations to maximize profits but to act in a way that's ethically and socially responsible. In the US, CSR and a "triple-bottom-line" (Henriques & Richardson, 2004, p. 17) approach to business success has typically been voluntary. Although the US Sentencing Commission Guidelines and other agencies help corporations meet certain requirements that are fundamental for corporate growth and to distinguish them from their competitors, companies operating in the US are not heavily regulated by the government.

What sparks a business to employ CSR principles in day-to-day operations? Very often pressures imposed by different non-governmental organizations becomes a stimulus for implementing CSR practices, and gives corporations an opportunity to develop in a more socially responsible way of operating. Watchdog organizations like Human Rights Watch, (Human Rights Watch) Corporate Watch, and Greenpeace are constantly monitoring large multinational conglomerates to ensure they operate in a socially ethical way, and put pressure on them when they're not.

#### **A Multinational Corporation Operating in the US and Nigeria**

Case studies presented in this chapter illustrate the gap of Corporate Social Responsibility (CSR) practiced by some multinational corporations that operate both in highly industrialized countries and in developing nations. More specifically, this is an illustrative story about two of the world's largest oil and gas companies, and how they each reacted differently to oil spills; one of which occurred in the developed world and the other in a third world nation. The two oil spills occurred due to various negligence demonstrated by British Petroleum (BP) *Deepwater Horizon* in the *Gulf of Mexico* and by *Shell* in Nigeria.

Immediately after the *Deepwater Horizon oil spill* in the Gulf of Mexico on April 20, 2010 following an explosion on the Deepwater Horizon oil rig, operated by BP, it was clear this was a major environmental disaster. The incident was recognized as the worst oil spill in the US history and almost immediately after, the US government put immense pressure on BP to provide adequate compensation and enforce appropriate CSR behavior and reaction. Conversely, this reaction and pressure was absent following myriad oil spills in Nigeria, as a result of corroded Shell pipelines. Why did the two multinational conglomerates BP and Shell react so differently following major oil leaks? Could it be

due to location and level of economic development of the country they're operating in, and local government attitude towards the issue?

### **Oil Spills in a Double Standard World**

The BP oil spill in the Gulf of Mexico in 2010 lasted six months and in this time four million barrels of oil seeped into the sea. In parallel to this, it should be mentioned that various Shell oil spills in the Niger Delta (United States Environmental Protection Agency) lasted over 50 years since the 1960s. In this time more than 6,800 oil spills were recorded and over 10 million barrels of oil spewed into an area called the Niger Delta, Ogoniland. (CNN, 2011).

The Gulf of Mexico disaster, commonly known as the Deepwater Horizon oil spill, occurred when the Deepwater Horizon oil rig exploded in the Gulf of Mexico, in the United States, on the BP-operated Macondo Prospect. Several violations and lack of checks are believed to have caused the Gulf of Mexico disaster; however, it also indicates that a disaster can occur anytime, anywhere. No company or country is immune to these type of disasters, there is always a chance of mechanical or manmade errors occurring.

While the official estimates are that four million barrels of crude oil spilled into the Gulf of Mexico during the oil spill (United States Environmental Protection Agency), the issue is more severe in Nigeria yet the reaction is less. This lack of action is a huge contradiction to the Deepwater Horizon BP oil spill in the Gulf of Mexico which was seen as a national catastrophe in the US and led to extensive media anger all over the world. Undoubtedly this represents a case of double standard behavior and double standards of crisis management by giant multinational corporations.

President of the US at that time, Barak Obama, announcement his government had reached an agreement with BP after a meeting with company officials at the White House. Obama said BP should and would be held responsible for the Gulf of Mexico oil spill. As a result of direct pressure from the US government, BP created an unprecedented \$20 billion response fund to compensate victims of the oil leak, which damaged the Gulf of Mexico coast. It is noteworthy that the head of the government of the US focused on the problem and gave strict directions to BP to respond according and meet its social responsibility standards. The swift and confident reaction of the Obama administration following the BP Deepwater Horizon oil spill represents a sharp contrast with the lack of action and CSR by Shell, and lack of support to local people in Nigeria's Niger Delta area following many

decades of oil spills. I'd like to mention a third case, which was discussed earlier in this research, which involved BP building a pipeline in Georgia. The local government tried to oppose BP and its double standard behavior in Georgia, and although the government received some restful compromises, the main issue of being more concerned about local unique environment remained unsettled.

In first world countries, where these large multinational corporations are headquartered, there should be a regulatory agency that holds businesses accountable and prevent such companies from operating with double standards in third world countries like Nigeria, which lack environment law and regulations. The disproportion in the level of response to the disaster by the two oil giants, and coverage of two same problems in different locations by local and international media is apparent. The lack of equivalence in the level of reply given to the US Gulf of Mexico oil spill, when compared to the unending destructive spills in the Delta, is dramatic.

### **Different Standards of Response**

In this example, the US is an extremely powerful host country and ultimately BP had little alternative but to capitulate under political pressure and bow to public anger and opinion, and react with high CSR consciousness. Meanwhile developing countries are often host countries to multinational corporations, however lack of environmental laws or enforcement of regulation means such companies can act irresponsibly because they're not held accountable by the local government and society.

Furthermore, multinational corporations can pressure the governments of developing host nations, and an example of this can be seen in the case study of BP operating in Georgia in 2004. Although the Gulf of Mexico oil spill may be the US' biggest environmental disaster, the international community has witnessed multiple misbehaviors by giant multinationals operating in third world countries that either cause ecological catastrophes or create major risks of future disasters. In the 2004 example of BP operating in Georgia and pressuring the government, BP built a pipeline through an environmentally sensitive area, and despite massive protests by locals and the government, BP continued to build the controversial pipeline and the route of the pipeline still was not changed.

With strong public awareness and demands towards CSR in the US, high-profile political figures were obliged to respond to the BP oil spill environmental disaster in the Gulf of Mexico in a manner of

harmony with public opinion. Conceivably, a nasty irony behind all this is, instead of being a vivid example of double standards of CSR, the consequences of the US oil spill will likely lead to greater pressure being put on poorer parts of the world without adequate CSR and organizational protection for local people and environments by multinationals. Why is this? After the BP Gulf of Mexico disaster, countries like Nigeria will turn into “pollution havens” more so than before, due to the fact that corporations will try to escape from the strict responsibilities imposed by developed countries, which will put more pressure on developing nations to compensate the financial losses incurred by the company’s previous irresponsible behaviour.

Shell’s operations in the Niger Delta have become a textbook example of how a large transnational company that operates in a poor region has forgotten to implement its CSR principles. In light of urgent amends accessible to the US immediately after the BP oil spill in the Gulf of Mexico, the contrast to the Nigerian oil spill shows that in wealthier countries a higher value is placed on human life, and damage to the environment seems to have different value according to what country it is in.

Double standards of responsible business behavior or reaction to an incident, and disproportional CSR practices between developed and developing countries are an ugly reality. There should be an international partnership between the host and home countries of large transnational corporations to guarantee they adhere to best industry rules and regulations, and meet all safety and environmental measures. The weakness of CSR policies in developing countries could be qualified to issues such as asymmetrical power dealings between the state, host countries and businesses interests. Furthermore, a lack of or weak institutions to enforce CSR strategies, low awareness of publics about CSR and consequently low demands and expectations towards large corporations’ responsible behavior in developing nations allow big businesses to get away with unethical business practices. Consequently, multinationals exploit and manipulate gaps and organizational weaknesses of main systems (political, economic and social) in these parts of the world.

### **Awareness towards CSR (Survey 1: Case of American and Georgian Employees)**

In the frame of the research, quantitative surveys were conducted of American and Georgian employees to measure the level of awareness towards different issues regarding CSR, according to two countries with different levels of economic development. The research was carried out by means of online surveys. The research focuses on two different dimensions: Internal awareness; the survey explores the degree of internal awareness among employees of the CSR strategy of the companies

they work for, the understanding of the meaning of the term and the extent of importance given to corporate social responsibility, which position is responsible for CSR. It also asks the extent of responsibility companies have towards environmental issues. External awareness considers the level of external awareness of respondents how they assess other companies operating in their country in terms of corporate responsibility. The survey also illustrates obstacles towards practicing CSR according to countries.

### **Summary**

The general awareness and understanding of CSR greatly differs between those surveyed in the US and Georgia. American respondents are far more familiar with this term than Georgians and have a greater expectation of businesses operating in such ways. At the same time, American respondents provide more comprehensive definitions and can substantiate this with examples. For Georgian respondents, CSR is rather an obscure term and of general character, and is rarely based on real-life examples.

When talking about internal awareness with CSR practices and strategies in one's own company, we can see considerable differences between Georgian and American respondents. Companies operating in the US consider it important to conduct CSR activities and employees with special skill and knowledge are designated for this work. In Georgia there's no specific position for this job and is CSR, if conducted at all, is coordinated by PR managers.

Obstacles that hinder CSR activities are somewhat similar in Georgia and in the US. The main difference is that Georgian respondents don't have high demands and expectations towards companies in their home country. They believe companies do not get any financial benefit out of acting in this way therefore have low motivation to act with CSR principles.

When talking about external awareness by rating three different types of companies operating in respondents' countries (the one they work at, other companies and multinational companies), we revealed that in Georgia, multinational companies have the highest degree of trust.

And finally, a favorable attitude towards company's corporate responsibility is expressed by respondents regardless of their place of residence.

#### **Awareness towards CSR (Survey 2: Case of Georgian Students)**

**Purpose:** The second research conducted in the frame of the thesis serves the purpose to study the level of external awareness towards different issues regarding Corporate Social Responsibility (CSR) among Georgian students.

**Research Audience:** The research audience is comprised of 30 people, a portion of whom study in private universities and the rest in state universities. The majority of respondents' study at the International Black Sea University.

### **General Summary**

Within the scope of the research, students and people employed in various companies in Georgia and the US were questioned to clarify the major differences between CSR awareness. The results showed a great difference between answers given by Georgian and US respondents, as well as differences between younger and older respondents. In the US the concept of CSR is widely recognized, and relatively equal by students and those employed. Students in Georgia were much more aware of CSR, its meaning and importance in today's society than those in employed in Georgia.

Furthermore, the results show an improvement in the level of awareness of CSR issue in the younger generation; the readiness and expectation that the society will raise and strengthen its demands towards companies are also higher.

### **Key findings:**

Compared to those surveyed in employment, more students are aware of CSR, both in terms of familiarity with the term and understanding its essence. The results show younger generations in Georgia have a much more progressive and advanced view of social responsibility issues and their requirements towards existing businesses.

Younger people are more well-aware of the meaning of the term CSR than people of relatively older generations. Apart from the fact that awareness and familiarity levels are much higher in students compared to older generations, students also reveal readiness to pay a higher price for goods and services produced by companies that practice CSR. However, students' readiness to pay more can also be conditioned by the fact that they do not usually have the responsibility to efficiently use their family budget and distribute finances. When comparing older generation's attitude towards CSR (employed respondents) according to Georgia and the US we see that a culture of CSR of American society is much higher than that of Georgian society; the concept is already an integral part of their national culture and derives from the fact that CSR initially came from the US. Whereas Georgia is still relatively new to this concept and learning to incorporate CSR into everyday business operations. Georgian and US respondents vary

greatly in terms of knowledge of CSR issues, American's knowledge of CSR is much deeper and comprehensive, whereas in Georgia people either don't know what the term means or if they do, their knowledge is limited and they are not familiar with current debates around the issue of CSR. For example, as the research indicated Georgian respondents do have a high level of credibility towards multinational corporations' activity in their home country, meaning they are not aware that there is no regulation and are naïve to the issue of "double standards". Although a favorable attitude towards CSR is expressed by respondents regardless of their place of residence.

## **CONCLUSION**

CSR was developed in the US about 100 years ago by academics and leaders who realized the positive effects it would have on the development of business, society and the environment around them. As awareness of CSR increased steadily over time, other businesses within the same and different industries have also tried to adopt CSR into their business operations to remain relevant and 'on par' with their competitors. In business it's essential for your clients, whoever they may be, to have a positive view of your company, and nowadays as there is so much choice and competition is so high, businesses must go above and beyond providing excellent service; they also need to have a proven strategy in place that serves the communities they operate in. Today, several countries have made the triple bottom line, which consists of three Ps: profit, people and planet-type of reporting, obligatory. Some companies wholeheartedly operate with CSR principles at the heart of daily processes, others have reluctantly adopted CSR into their workplaces, while some merely pretend to have CSR principles and only focus on profits rather than the whole picture.

Skepticism is often expressed by many critics regarding CSR practices saying that it is no more than PR efforts and does not provide any solution to real problems; however, this attitude seems less and less relevant as time passes and businesses with CSR principles have better outcomes for society and the environment. Though it is true that businesses are particularly vocal about their pledge to CSR when they are struggling to establish their reputation, it also indicates to growth of CSR importance today. We believe, whatever the motives or the reasons for CSR activities or philanthropy, that society is a beneficiary, therefore CR should be supported unanimously.

A positive reputation of any company can lead to greater productivity and larger profits, which keeps stakeholders happy. This is particularly relevant in developed countries where customers have consumer power, but in countries where the public lacks power evidence shows that multinationals

relax their CSR responsibilities and operate according to the rules of the country they're operating in. In Third World countries CSR business practices may not yet exist or be regulated; however, we must ask whether it is acceptable for businesses to relax their CSR responsibilities when they are in an environment without such laws. Is CSR just a whitewash for their unethical behavior, pure alibi, a PR stunt, or window dressing? Considering the double standards large conglomerates operate under – sometimes the answer to this question unfortunately is yes. Too often businesses are consumed with maximizing profits, and their motives for adopting CSR into their workplace is purely protection for their business. Still we believe whatever the motives or the reasons to CSR activities or philanthropy could be, the society is a beneficiary and it should be supported globally.

Corporations operating in Third World nations which lack local laws or international regulation are not held accountable for their reckless actions. As these nations are more reliant on foreign investment, governments often turn a blind eye to unethical behavior. In these cases, there is an unequal balance of power between government and business. It is already a fact that multinational corporations now govern society perhaps more than governments themselves do; yet ironically the resources and financial power they own make them vulnerable in the eyes of public.

The problem is that businesses operating in the 21st century post-industrial world need both; a rapid increase of their businesses (in the competitive world this is at the top of risk management list), and public support, or consumer power, which is becoming a means through which the business could become sustainable and competitive. It is not easy to find a proper balance between these two. In order to regain and maintain public trust, companies are seeking ways to respond to their demands.

What or who ensures business are ethically and morally responsible to society and the environment irrespective to geography? The answer varies, depending on which country the business is operating in. Based on the discourse and evidence presented in this thesis, we offer three basic principles to be considered to find the answer to the problem stated above:

- a. Business should operate according to the regulations of the country they're working in;
- b. There should be some international standards that must be adhered at all times and in all countries irrespective of the country's level of economic development because without global regulation global businesses are ultimately free to act how they want;

- c. The third, but most important, is that pressure from the public, the media and NGO forces should be firm and consistent in all parts of the world, and the societies of developed countries should try to raise public awareness of CSR and encourage learning of CSR among Third World populations.

In an ideal world, businesses should want to put the people and the planet before profits, yet this is not the reality. Profits are what keep businesses operating, however, integrating CSR into business operations definitely facilitates to maximize profits. This is evidenced by increased sales figures and both stakeholders and company bosses are starting to realize the importance of the power of consumers.

One major issue in today's world is that businesses exercise double standards – to which the present investigation has presented ample and explicit evidences. Why is this allowed to happen and how can this be regulated?

Western governments must realize they play a major role in allowing companies to flout the rules in vulnerable countries. The Western world should hold multinational companies responsible for their unjust practices performed in developing nations. Governments should enact a universal law that ensures profit-making is done within the context of businesses' responsibilities to their stakeholders and to society so that it continues to be sustainable in the long term.

Noreena Hertz, author of the best-selling book *Silent Takeover*, argues that because many corporations are as large as national states and have a larger stake in the new world order than many individual governments, almost always where the interests of corporations and states come into conflict, it is increasingly the corporate agenda that prevails. Though it is a bitter reality of today evidenced by multiple case studies presented in this thesis, nations (particularly small nations), have to resist to growing political impact from the side of multinationals. The problem has an important political aspect which is not addressed in this thesis, but it gives a clear understanding that the “war between corporation and nations” is on the way, and critical role in this battle should play the civil society adhering to democratic and human rights principals.

Businesses that operate in developing countries should act very responsibly. Third World countries are more vulnerable, have a weaker economy and are therefore more reliant on foreign aid. This means the country is less likely to oppose any business that could potentially bring millions of dollars into

the economy, even if it acts irresponsibly. Businesses in this position should be aware of the influence they have and support the economy by introducing innovation and incorporate high moral and ethical standards into everything they do. In these vulnerable environments there is a heightened need for multinationals to act responsibly, yet often companies act worse than they would at home because society, the government and local consumers do not have any CSR knowledge or ability to enforce CSR. For this to change, large businesses need to be held accountable, and if the government of the country in which they're operating are not strong enough, the multinational must be regulated by an international watchdog.

Secondly, as the world becomes even more closely interconnected, businesses that were once able to get away with unethical behavior abroad, now they may find themselves facing increased scrutiny from the global society. One of the many examples provided in this thesis refers to a case from 2004 when the news of Coca-Cola's unethical behavior in India caused unrest in many developed countries, leading university students throughout the US and Europe to vote and cancel contracts with Coca-Cola in protest of the company's unethical business practices in India.

After examining several case studies and comparing various examples of business operations in First and Third World nations, one can conclude that some businesses are corporate and socially responsible, some operate with CSR principles in a half-hearted manner, others appear to be responsible when they're not, and some businesses do not care about CSR at all.

In the developed world where public opinion matters, corporations realize that they will be rewarded for doing good and being seen to do good, whereas in developing countries demands of big businesses are not high therefore the reward business might get is insufficient to inspire responsible behavior. Unfortunately, multinational corporations deal with different publics in a fragmented manner and forget how small the world actually is, and that ultimately they will be held responsible for their actions. Sooner or later, companies that flout CSR rules, no matter in which country, will observe the results of their Corporate Social Irresponsibility.

It is a universal truth that the aim of business is to generate a profit but the fast changing world dictates new rules which should be recognized and taken as inevitable. The evidence and judgment provided in this thesis advocate that, though in many cases corporations use CSR as a "shield" to defend themselves from public accusations, apply double standards, and try to "greenwash" their unethical actions, despite CSR proving to be a powerful tool that can increase business profits. Today the

necessity for wide public support is acknowledged by giant multinationals, which is evidenced by the fact that BP abandoned the name British Petroleum – a name it had for more than 60 years - and rebuilt the company's image and declare its determination wholly re-adjust its business so it meets CSR principles and the needs of a more sustainable society.

The government and society of economically weak countries should find courage and defend the rights of their country and people. The government and public resistance, which for many seems useless, in reality has giant importance; it creates a case, establishes the new rules for multinationals, and it is a matter of dignity and self-respect for any nation – big or small.

The Hypothesis of the research has been proved:

Developing nations and their governments should prevent regressing into the position of near-lawlessness that creates ground for multinational companies to forget their social and environmental obligations. Increasing public awareness of CSR, increasing resistance of local governments and non-governmental sectors, stepping up the global fight for sustainability must be a precondition to a proactive attitude, together with permanent public and civic engagement.

In Georgia, BP encountered harsh opposition at the beginning and during the construction of the BTC pipeline from the Georgian government, then-president Saakashvili and NGOs, and subsequently BP compromised on some points although ignored several other very sensitive issues. Today, more than 10 years after the pipeline construction began; BP is now practicing a more socially-oriented policy in Georgia and other regions alongside the BTC pipeline construction area.

Moreover, economically weak countries should realize that they are important for multinational companies who strive to fulfill the projects in which huge economic and political interests of powerful countries are vested. This thesis provides good examples of this, referring to the BTC pipeline - the route through Georgia which would open up an alternative supply of oil and gas to the US, who for a long time had been searching for a substitute route that did not pass through Iran or Russia and would therefore lessen the world's dependence on oil from the politically unstable Middle East.

The survey results, which aimed to examine American and Georgian respondents' awareness of CSR individually and in the companies in which they worked, both in the US and in Georgia, are as follows:

- When talking about internal awareness with CSR practices and strategies in one's own company, we can see considerable differences between Georgian and American respondents. Companies operating in the US consider it important to conduct CSR activities, and employees with special skills and knowledge are designated for this work. In Georgia there is no specific position for this job and CSR, if conducted at all, is coordinated by PR managers.
- Obstacles that hinder CSR activities are somewhat similar in Georgia and in the US. The main difference is that Georgian respondents don't have high demands and expectations towards companies in their home country. They believe companies do not get any financial benefit out of acting in a socially responsible manner, therefore have low expectations and motivations to force companies to act responsibly.
- When talking about external awareness by rating three different types of companies operating in respondents' countries (the one they work at, other companies and multinational companies), results showed Georgian respondents placed the highest degree of trust in multinational companies operating in their home nation.
- And finally, a favorable attitude towards a company's corporate responsibility is expressed by respondents regardless of their place of residence.
- The student survey results showed that three factors: health, education and environment protection were the most prioritized CSR aspects for respondents. Students displayed higher indicators compared to employed respondents in all parameters.

#### Recommendations:

- a. The government and society in any country should be unanimous in demanding giant multinational corporations meet basic CSR principles, so they should meet the triple bottom line that is three Ps, profit, people and planet; they should reflect not only economic outcomes, but feel responsible for sustainable development, peaceful and safe environment globally.
- b. Multinational corporations should not use its reputation and international market dominance to challenge small countries' laws to suit its own agenda; furthermore, developed countries and their governments ought not to use its political influence and ignore public opinion of weak countries who try to defend its laws, people and environment. Multinational projects would boost small countries' sovereignty, and would not violate it without hesitation.

- c. The international society should play an active role as watchdog to advocate the high principle of social responsibilities in any part of the world.
- d. The government, as well as journalists and society of corporations' home countries ought to react vocally to violations of CSR principles by corporations and voice the cases, as it was described earlier when a British journalist from the Sunday Times conducted an in-depth investigation of the problematic technical characteristics of the Baku-Tbilisi-Ceyhan pipeline, which was followed by a major discussion of the issue in the British Parliament.
- e. Specialists in First World nations should assist developing countries who lack experience to find real solutions to problems raised from violations of basic standards by multinational corporations. A good example of this is evidenced by the help provided by friends from different countries who greatly supported Georgia to deal with BP when it acted irresponsibly regarding the BTC pipeline.
- f. Raising public awareness is very important. It is necessary to educate the younger generation and encourage the youth to be better prepared when facing similar challenges in their future lives. In Georgia's case, even those who currently work in government structures lack competence in this regard. Students must use BP as a case study, and other foreign examples, to learn and prepare themselves to prevent any violations of companies who operate in their nation with double standards, and be aware of the consequences this may bring. It is necessary to deepen education in order to reduce the gap between set expectations and demands towards CSR, which will only increase in the future if Georgia is not subjected to international standards in a double standard world.

Bottom line:

Greater awareness of CSR, especially in developing countries, will lead to society becoming more knowledgeable, and powerful to put greater pressure on businesses when they don't act responsibly. There is hope that within the time perceivable, developing countries will catch up to the developed world and will no longer accept sub-standards of operations, meaning they'll no longer be victims of pressure by profit-driven corporations.

The majority of businesses understand the importance of CSR and realize that this is the new reality in which they need to operate, either willingly or not. Good CSR contributes to the reputation and profit of companies, and as CSR enhances corporate image, it can build brands, generates positive PR and increase sales. More importantly, good CSR behavior can lead to businesses operating in

sustainable ways where resources are not used until they're gone and the world becomes a thriving, economically stable place.

### **List Publications**

Lazishvili T. (2017). Corporate Social Responsibility in America. *Scientific Journal in Humanities*, International Black Sea University. Volume 6, Issue 2, 2017, p. 55-58

Lazishvili T., Bakhtadze I. (2016). The Need for Innovative Corporate Social Responsibility. Conference proceedings "11<sup>th</sup> International Silk Road Conference on Innovation in Business, Education and Sciences", Tbilisi, Georgia, p. 29-32.

Lazishvili T. (2016). British Petroleum and Corporate Social Responsibility Case Study: British Petroleum in Georgia. *Scientific Journal in Humanities*, International Black Sea University, Volume 5, Issue 1, p. 47-50.

Lazishvili T. (2015). Corporate Social Responsibility Double Standards of CSR (Two Case Studies). *Scientific Journal in Humanities*, International Black Sea University. Volume 4, Issue 2, p. 25-29.