



The European Union
for Georgia
EU4Business



Survey on ADR in Georgia **BUSINESS SURVEY**

ANALYTICAL REPORT
07/2020





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This study has been prepared by the Institute of Social Studies and Analysis (ISSA) with the support of the European Union (EU) and the United Nations Development Programme (UNDP).

Its contents are the sole responsibility of the Institute of Social Studies and Analysis and do not necessarily reflect the views of the European Union (EU) and UNDP.



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INSTITUTE OF SOCIAL STUDIES AND ANALYSIS

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Introduction

The project “Enhanced Mediation and Arbitration for Fairer and Faster Commercial Dispute Resolutions” is a joint initiative of the European Union (EU) and United Nations Development Programme (UNDP). The aim of the project is to promote the use of mediation and arbitration in commercial disputes, through strengthening and professional development of relevant institutions and professionals.

Mediation is an alternative method for dispute resolution, through which two or more parties try to settle their dispute by mutual agreement with the assistance of a mediator. The **mediator** is a third party neutral helping other parties to communicate effectively and find the solutions, however does not make any decisions. The mediation process is fully confidential and is tailored to the parties interests. **Arbitration** is another means to resolve contractual disputes. In this case, the arbitrator or arbitrators appointed by the parties or an arbitration institution make legally binding decisions regarding the dispute. Compared to court, arbitration proceedings are more flexible and faster. Arbitration is recognized as the best alternative for resolution of commercial disputes in the world.


Resolving business disputes through courts often requires lengthy period and substantive resources, causing discomfort to the parties. Mediation and arbitration are considered to be proper alternative mechanisms for resolving commercial disputes. By using them, it is possible to resolve disputes more quickly and efficiently, making justice much more accessible.

Research Methodology

In scope of the joint project by EU and UNDP - “Enhanced Mediation and Arbitration for Fairer and Faster Commercial Dispute Resolutions” – a quantitative sociological research was conducted, **its aim** was to study the awareness and perceptions of the business sector about alternative ways of resolving commercial disputes such as mediation and arbitration.

The objectives of research were:

- ✓ To study the level of awareness of the business sector, ways of obtaining information;
- ✓ To assess the arbitration and mediation process;
- ✓ To assess the activities of the Arbitration and Mediation Institute or the Center;
- ✓ To identify the advantages and disadvantages of using arbitration and mediation compared to court.

 In order to achieve these objectives, one of the quantitative sociological research methods was chosen for the study, namely the telephone survey.

Research instrument: questionnaire comprised of closed and semi-closed questions.

Target group: The representatives of companies / enterprises in the business sector.

The target audience was structured in certain groups. These groups were defined according to the area of work / activity. Specifically, four main groups/strata of the business sector were identified:

- 1 Primary sector, which includes activities related to extraction and production of raw materials; i.e. agriculture, forestry, mining etc.
- 2 Secondary sector includes industries that produce finished products and are involved in construction.
- 3 The service sector combines activities such as: retail, banks, hotels, real estate, education, healthcare, etc.
- 4 Natural monopolies - include companies that may be the sole suppliers of a particular product or service.

The Institute of Social Studies and Analysis selected the business organizations grouped by the areas of economic activity from the business register of the National Statistics Office of Georgia. All active (functioning) organizations were selected from this database, which had contact information: telephone number and e-mail address.

A total of 1255 respondents were interviewed in scope of this study. Their sampling was carried out by a two-step clustering method, through preliminary stratification. The four identified sectors represent the strata. In each stratum, areas of activity were identified that represented clusters. The latter represented the primary sampling units. The respondent to be directly interviewed within the frames of research was defined as the final sampling unit.

The table below presents the business activities combined in each economic sector, also the number of respondents interviewed in each group. See Table #1:

¹ http://br.geostat.ge/register_geo/index.php?action=search

Table #1

Business areas - divided by activity (four groups)		Number of respondents	5%-error (95% reliability confidence)
Group 1	Primary Sector - Agriculture and raw materials	330	5%
1	Agriculture, forestry, fisheries		
2	Mining industry and quarries processing		
Group 2	Secondary Sector - Production and Construction	377	5%
3	Production		
4	Construction		
Group 3	Service Sector	383	5%
5	Retail and wholesale, repair of vehicles and motorcycles		
6	Professional scientific and technical activity		
7	Education		
8	Information and communication		
9	Transportation and warehousing		
10	Accommodation and food supply activities		
11	Art, entertainment and recreation		
12	Administrative and support service activities		
13	Healthcare and social service activities		
14	Financial and insurance activities		
15	Activities related to real estate		
Group 4	Natural monopolies	165	5%
16	Supply of electricity, gas, steam and air conditioning		
17	Water supply, sewerage, waste management and pollution clearance activities		
Total		1255	2.8%

Each interviewer interviewed representatives of roughly 40 organizations.

Decision makers of the companies, namely, a founder, a director, a lawyer, a manager or a financial manager

were interviewed. In separate cases the respondent may have occupied a different position but was authorized to answer the questions of the study.

The field work was carried out for one month.

Main Findings

The business sectors proved to be familiar more with arbitration than with mediation. Every second respondent mentions not having heard about arbitration, while the share of such respondents in case of mediation is 81.6%. The primary and secondary sectors are characterized by higher awareness of mediation, while the awareness of arbitration is the highest among the companies of natural monopolies and primary sector.

The main source of information about mediation (40%) and arbitration (42.8%) turned out to be TV media for the study participants. After Television, the social media is named as the second main source.

The respondents who had certain information or experience related to mediation and arbitration, described these methods of alternative dispute resolution (ADR). 46.6% of the surveyed have an adequate understanding about the mediation process; specifically, 33.5% mention that mediation is a dispute resolution method, as a result of which settlement depends on parties' will (33.5%). Similarly, 51% of respondents understand the arbitration process adequately by correctly answering that arbitration is a dispute resolution method for resolving the property disputes whereby the final binding decision is made by an independent and impartial arbitrator(s). As the study revealed, the rate of awareness about mediation is relatively high in case of natural monopolies; specifically, 54.2% of representatives of this sector give the correct definition of mediation, while more than half of respondents in secondary sector have the right understanding of arbitration (57.7%)

The data regarding the respondents' trust towards mediation and arbitration show that the business sector representatives somewhat trust ADR (they trust these mechanisms more than they don't). Specifically, more than half of the surveyed (in each sector) somewhat trust the arbitration; and in case of mediation the share of such respondents in each sector is more than 54%.

Compared to court, the main advantages of mediation are the opportunity to resolve the dispute in short period of time, and less fees. Analysis of the data by sectors shows that for natural monopolies (22.4%) and secondary sector (23.2%) the main advantage is time-efficiency, and for service (28.5%) and primary (22.3%) sectors - less fees. While advantages of arbitration compared to court, for a larger share of the respondents (their share in each sector ranges from 22% to 34%), is attributed to time-efficiency.

As for disadvantages of ADR compared to court, for mediation the mostly cited disadvantage is the referral of the dispute to the court if no agreement is reached (27.4%), while in case of arbitration - the impossibility to appeal the arbitral award (28.2%).

The large part of the respondents prefers to use mediation (46.6%) and arbitration (43%) compared to court to resolve commercial disputes. Distribution of such respondents across business sectors shows that in each sector, these methods of dispute resolution are more positively assessed, compared to court.

The study shows that in order to choose mediation and arbitration in the future, the respondents need more information about ADR. Specifically, in case of mediation this opinion is stated by every second respondent, and in case of arbitration – by 40.5% of the surveyed representatives.

In the last 5 years, the vast majority of respondents have not referred their dispute to either to the arbitral tribunal (97.7%) or mediator (98.2%) for resolution of business disputes. On the other hand, the majority of those who used ADR were satisfied with the process of arbitration (57.1%) or mediation (64%).

The vast majority of the companies / enterprises² selected for this survey (89.1%) which were defined as the representatives of the primary sector, are engaged in the field of agriculture, forestry and fisheries. More than half of the respondents surveyed in the secondary sector work in the area of production. As for the service sector, in this case, every second respondent works in retail and wholesale trade and repair of vehicles. 67.3% of surveyed enterprises in natural monopolies supply electricity.

A large part of the study participants are the founders or the directors (or both). The form of business ownership in most cases is sole (70.8%). The service sector is characterized in this respect (77.3% say their form of business ownership is sole). Family members and friends are named mostly as business co-owners.

At least every second respondent (53.4%) says their company's legal form is **Limited Liability Company** (LLC). One third is registered as Individual Entrepreneur. Compared to other sectors, the number of LLCs is high in secondary sector (65.6%).

In each business sector the majority of enterprises have the maximum of 10 full-time staff members. As for the annual turnover, in this respect the companies in secondary sector are leading. 7.4% of them mention their annual turnover is one million GEL or more. In companies contracts are drafted mostly by directors (38.1%) and financial managers (24.4%). Every second respondent participating in the survey mentioned that their company does not receive any legal services. In case of those who have this service, the majority (85%) gets the service by in-house lawyer. According to business sectors, the proportion of companies that do not receive any legal service is the largest in the service area (60.8%). The study showed that in the majority of companies, the decisions regarding the resolution/ solution of the disputes are taken by founders or lawyers.

² In the present report, the terms 'company' and 'enterprise' are used interchangeably, and their use does not imply any specific meaning other than the traditional definition of these words.

Mediation

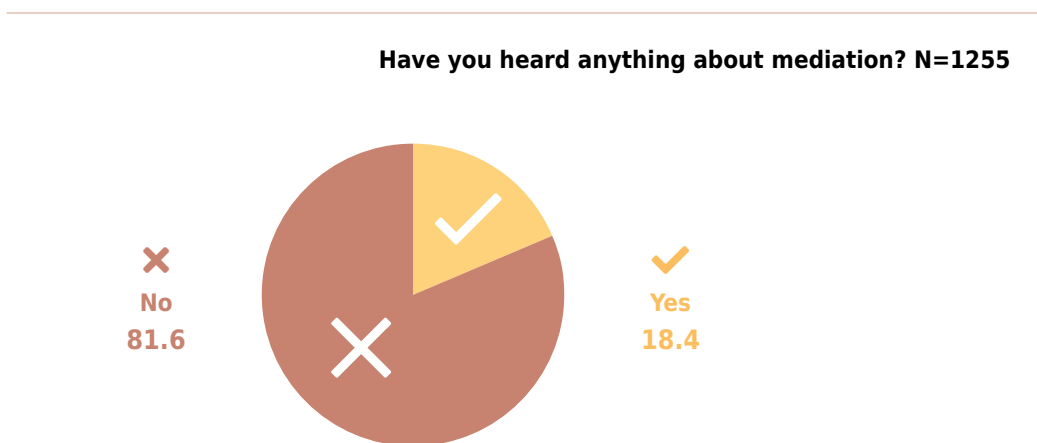
Awareness of mediation

Basic awareness of mediation

In relation to the level of awareness of respondents (companies) about mediation, it was studied what information the target groups had about mediation and what were the sources of information.

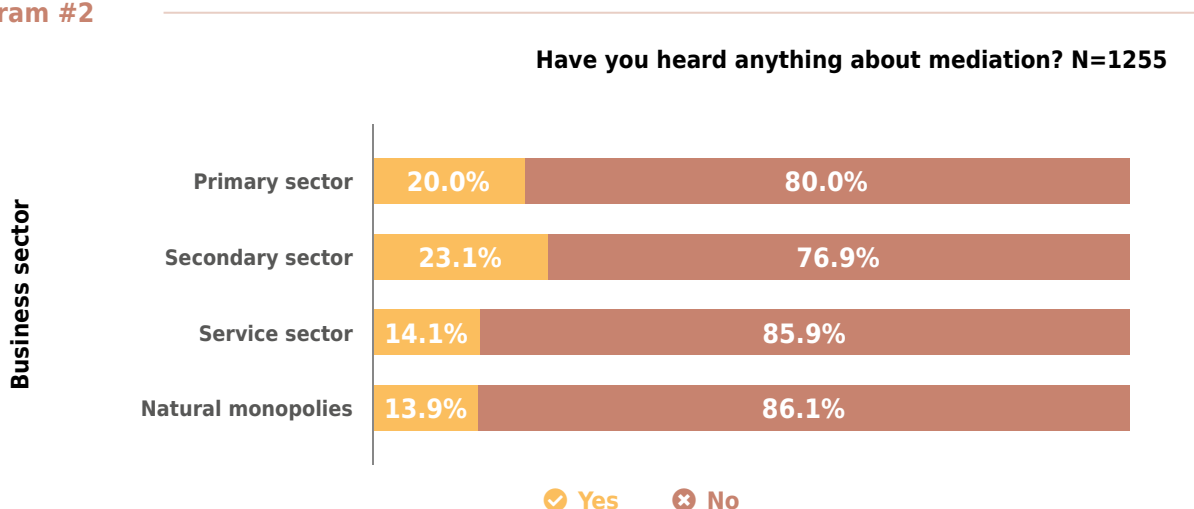
The vast majority has not heard of (81.6%) and only 18.4% has certain information about mediation.

Diagram #1



Analyzing the awareness of mediation according to business sectors showed that the representatives of secondary sector companies are most informed (23.1%), while the least informed (13.9%) are those belonging to the sector of natural monopolies. In case of primary sector, the share of informed respondents equals to 20%. Out of companies working in service sector, only 14.1% mention having heard about mediation.

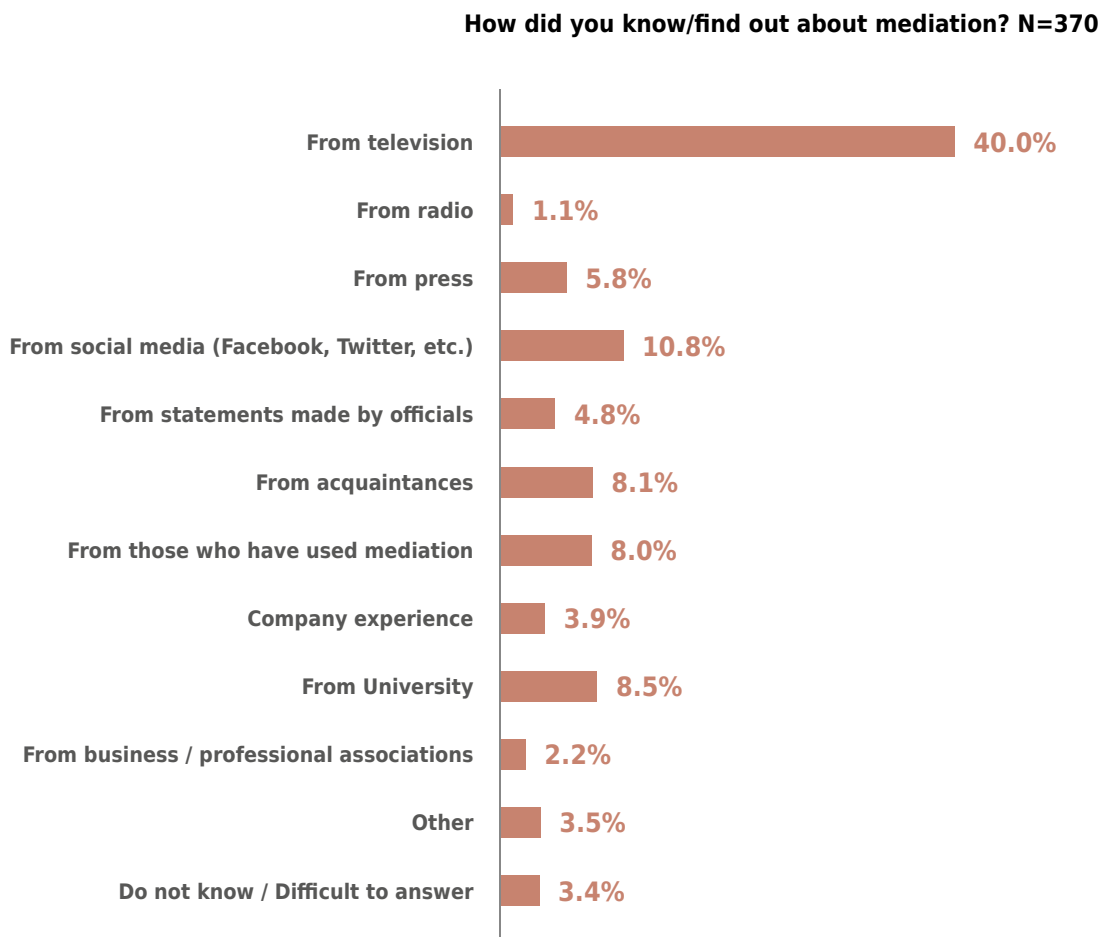
Diagram #2



Sources of information

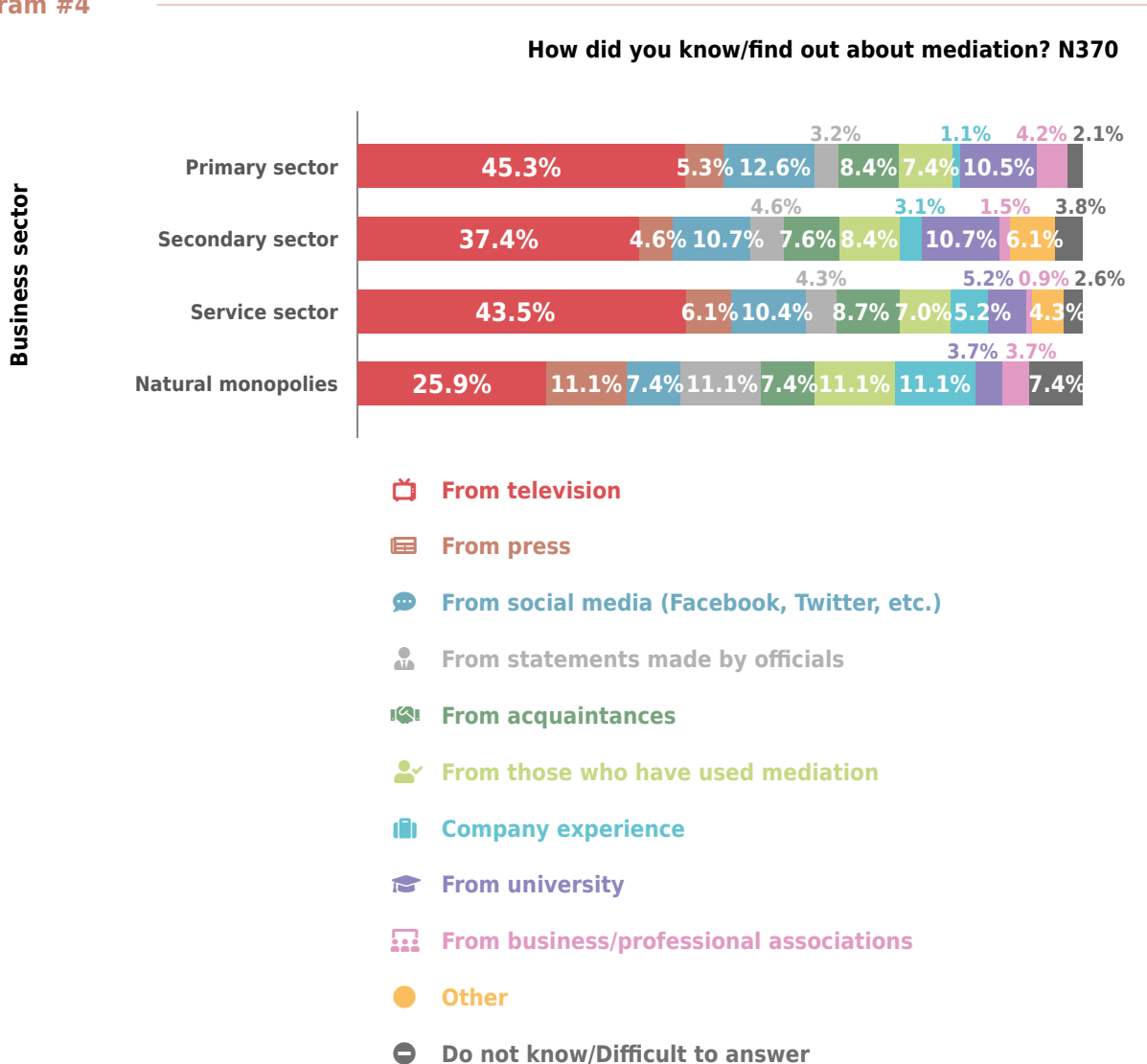
The study participants who had certain information about mediation talked about the **means of obtaining information**. Among the sources listed by the respondents, television is most often cited (40%), followed by social networks (10.8%). Additionally statements made by officials, also from partners, university etc. are also mentioned as source of information; however, their share in research does not exceed 9% (in case of each source). Apart from the above mentioned, some respondents also name other sources of information: their own profession (lawyer), legislation, personal experience etc.

Diagram #3



The statistical analysis of the data showed that out of 4 target business sectors, in case of two, the percentage of the companies that named television as the primary source of information is more than 43%, namely: primary sector (45.3%) and service sector (43.5%). In companies of the secondary sector this share is 37.4%, while in case of natural monopolies - about 25%. Except for the natural monopolies, others name the social networks (Facebook, twitter, etc.) as the second important source of information. It is noteworthy that the experience of referring a dispute to mediation as a source of information is named the most among the enterprises of natural monopolies (11.1%), compared to other three sectors.

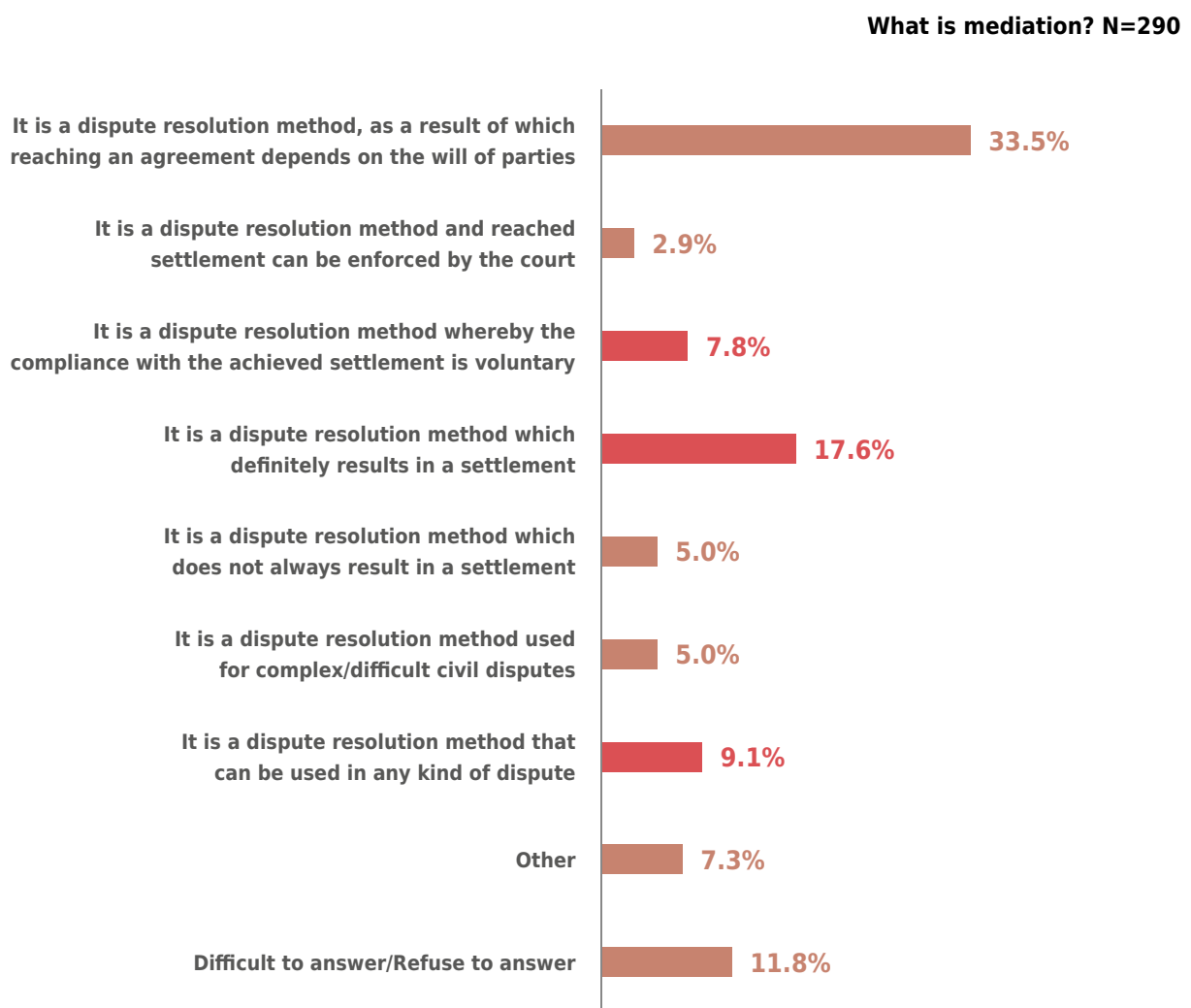
Diagram #4



What is mediation?

The respondents who had certain information or experience in relation to mediation were asked to describe it. The statistical data analysis showed that the majority of the surveyed (51.1%) have an adequate understanding of mediation since they have defined mediation as **a dispute resolution method, as a result of which reaching the agreement depends on the will of parties** - 33.5%. Apart from the mentioned, certain proportion of the interviewed correctly mention that mediation is: **a) It is a dispute resolution method and settlement reached through mediation can be enforced by the court (2.9%); b) this is the method of dispute resolution which does not always result in settlement(5%); c) mediation is used for complex / difficult civil disputes (5%)**. The share of respondents who have the misconception of mediation ranges from 3% to 18%. Among them, the percentage of those who believe that as a result of mediation the dispute definitely ends with a settlement is the highest (17.6%). A small part of the surveyed also state other opinions, at their own initiative. For example, some of them think that in case of using mediation the dispute can be resolved by a settlement, bypassing the court.

Diagram #5



Note: Wrong answers about mediation are highlighted in red.

The study showed that 40.4% of the primary business sector representatives, in total, have a correct understanding of what mediation means. Most of them (29.3%) state that mediation is a dispute resolution method, as a result of which reaching an agreement depends on the will of parties. 17.1% of those in this sector mistakenly think that this is a dispute resolution method which definitely ends with a settlement, while 12.2% (also erroneously) think that mediation can be used to resolve **any** dispute. In case of the other three sectors, when explaining mediation, the factor that was mentioned by most of the respondents in the primary sector is named as the main feature of mediation. In particular, 37.1% of the representatives of the secondary sector state that reaching an agreement through mediation depends on the will of the parties. The share of such in the service sector is 29.4%, while in the sector of natural monopolies it is relatively higher - 41.7%. In total, 47.5% of the secondary sector, 48.2% of the service sector and 54.2% of the natural monopolies sector provide the accurate answers about mediation.

Table #2

What is mediation? (N290) (Business sector) ↓	Primary sector	Secondary sector	Service sector	Natural monopolies
It is a dispute resolution method, as a result of which reaching an agreement depends on the will of parties	29.3%	37.1%	29.4%	41.7%
It is a dispute resolution method and settlement reached through mediation can be enforced by the court	3.7%	2.1%	1.2%	8.3%
It is a dispute resolution method whereby the compliance with the achieved settlement is voluntary	9.8%	5.2%	9.4%	8.3%
It is a dispute resolution method which definitely results in a settlement	17.1%	17.5%	18.8%	16.7%
It is a dispute resolution method which does not always result in a settlement	3.7%	5.2%	8.2%	0.0%
It is a dispute resolution method used for complex/difficult civil disputes	3.7%	3.1%	9.4%	4.2%
It is a dispute resolution method that can be used in any kind of dispute	12.2%	10.3%	5.9%	4.2%
Other	6.1%	7.2%	8.2%	8.3%
Difficult to answer/Refuse to answer	14.6%	12.4%	9.4%	8.3%

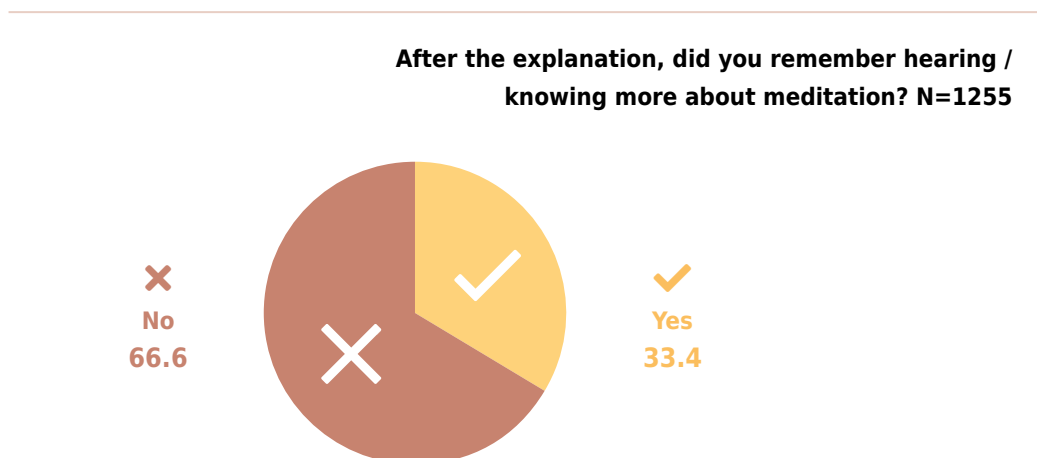
Note: Wrong answers about mediation are highlighted in red.

Attitudes towards mediation

Awareness of mediation after providing an explanation

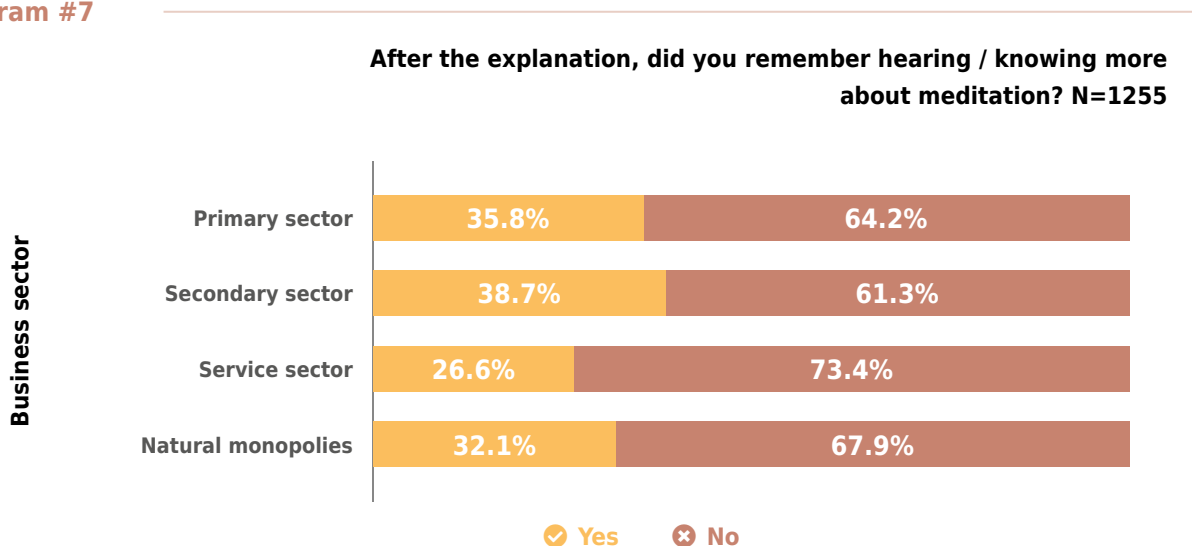
In order to remind, specify, or explain to respondents what mediation means (including respondents who have never heard of mediation before), we offered them a brief explanation of mediation, which combined its main features. After all the respondents were informed about what mediation actually meant, the majority of those surveyed (66.6%) stated that they had not heard of mediation (**did not remember**), and a third (33.4%) of respondents were familiar with this means of dispute resolution.

Diagram #6



The research revealed that after hearing the definition of mediation, in case of each business sector, most of the respondents are still unaware (**could not recall**) of mediation. In particular, the largest share of such respondents is in the service sector (73.4%). The secondary sector (38.7%) appeared to be the most informed.

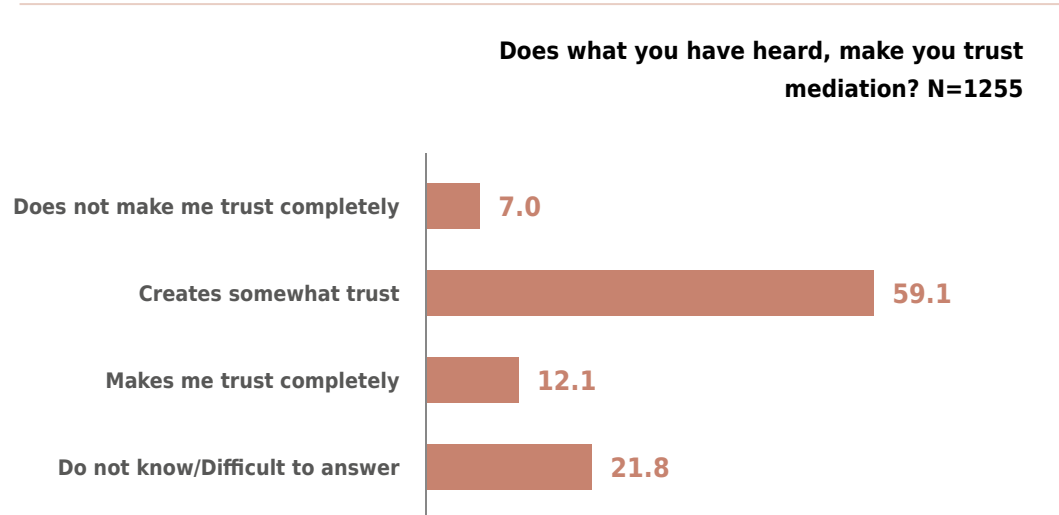
Diagram #7



Trust towards mediation

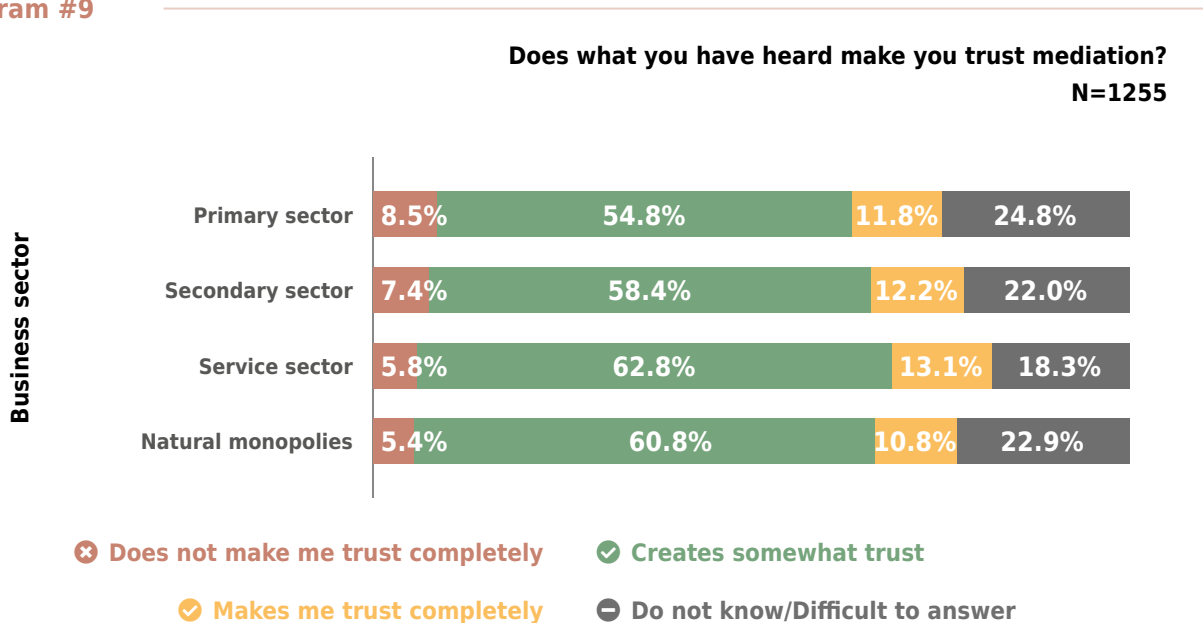
The majority of respondents noted that the explanation they heard about mediation creates somewhat trust (59.1%); Only 12.1% have complete trust in mediation, and 7% say that the information they have heard about mediation is not trustworthy at all.

Diagram #8



Analyzing the trust of respondents in mediation according to business sectors shows that in the case of each sector, the share of those who state they somewhat trust this process exceeds 54%; the number of those who have full trust in this method of alternative dispute resolution varies between 10% and 14%. As for the share of those who completely mistrust the mediation process (**after hearing the explanation**), it is less than 9%.

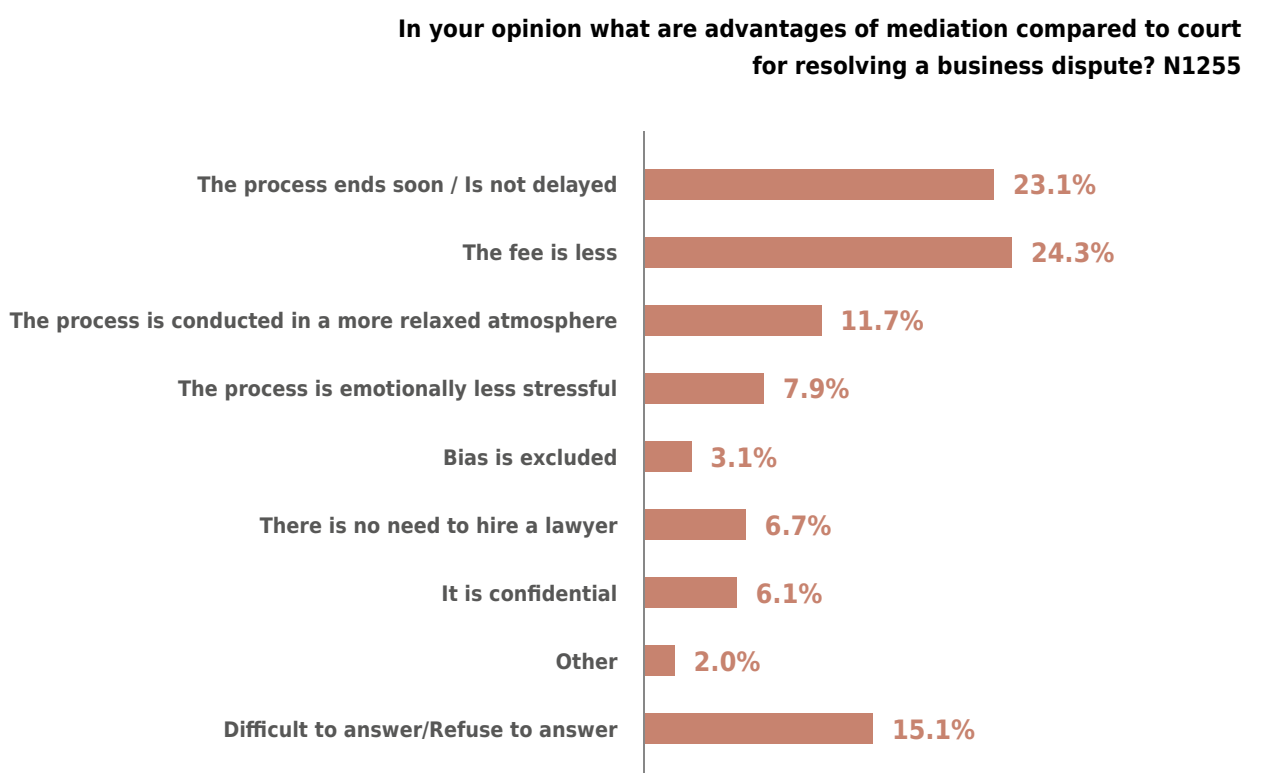
Diagram #9



Advantages of mediation compared to court

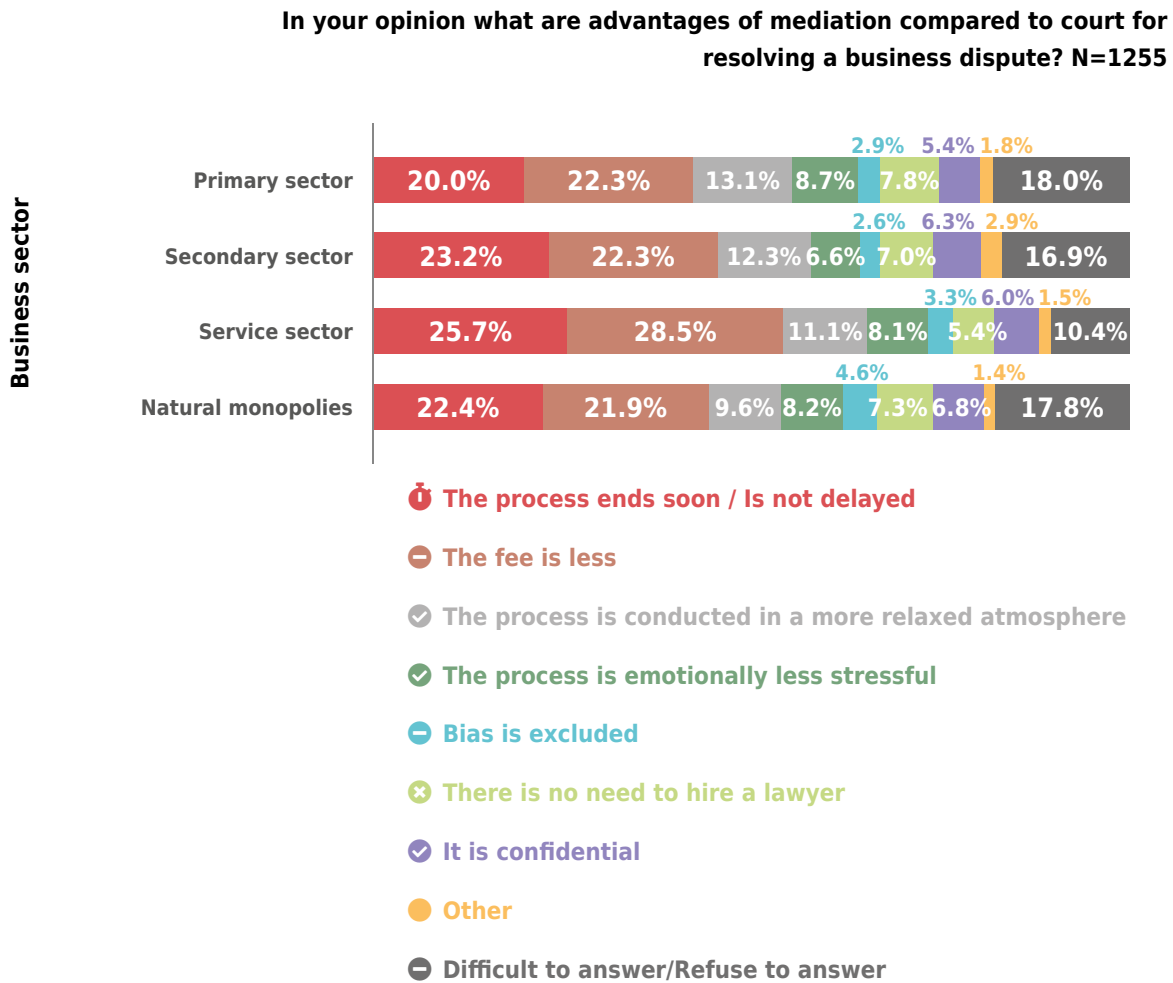
The participants in the study expressed their views on advantages of mediation compared to court. Nearly a quarter of respondents name that the fee (court fee) is less (24.3%), while 23.1% refer to time-efficiency of mediation. For 11.7% the dispute resolution environment proved to be important (**“the process is conducted in a more relaxed atmosphere”**), and some added that the process was emotionally less stressful than court proceedings (7.9%). In case of other advantages, the share of respondents does not exceed 6.7%. Based on this, it can be assumed that the time and lower fees for resolving a business dispute are important for the persons / companies involved in the process. In addition, some respondents (in “Other”) explained the advantages of mediation by the following factors: greater possibility to resolve disputes, ease in achievement of agreement / settlement, active involvement of parties in dispute resolution process, less bureaucracy, bypassing the court, possibility of returning the money if agreement is reached etc. Several respondents also pointed out that mediation has no advantages compared to court.

Diagram #10



The resolution of the dispute process in a short period of time and less fee were of utmost importance across all sectors (20-29%). Specifically, 22.4% of respondents representing natural monopolies say that for them it is important that the dispute resolution is not delayed and about one-fifth mention that cost-efficiency. The share of those in the service sector, who refer to the time exceeds a quarter of the respondents, while 28.5% also indicate to costs. As for the respondents who say that a less stressful atmosphere can be considered as an advantage of mediation compared to court, in case of each sector their share does not exceed 13.1%.

Diagram #11

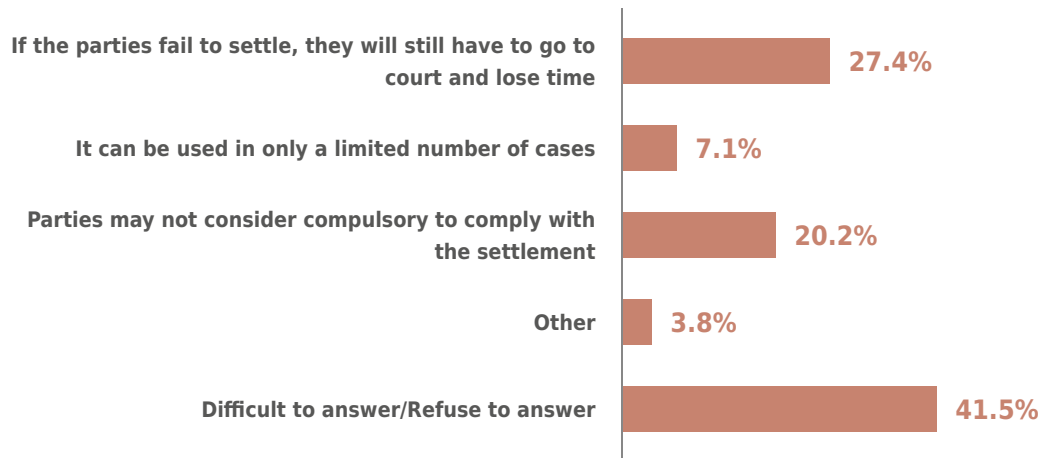


Disadvantages of mediation compared to court

In addition to the advantages, the respondents talked about the main disadvantages that mediation has compared to the court. In particular, 27.4% of respondents name the need to refer the case back to the court if mediation fails which results in **waste of time**. 20.2% say that despite the reached settlement, either party may not comply with it. It should be noted that 41.5% of the respondents found it difficult to talk about the disadvantages of mediation, which is probably due to the fact that a large proportion of respondents have not had experience in mediation. The number of respondents who spoke about other negative factors besides the above mentioned, does not exceed 4%. They name problems such as: enforcement problems, lack of competence, lack of legal regulations, prolonging of the dispute resolution process, lack of information about mediation, possible partiality of the mediator, etc.

Diagram #12

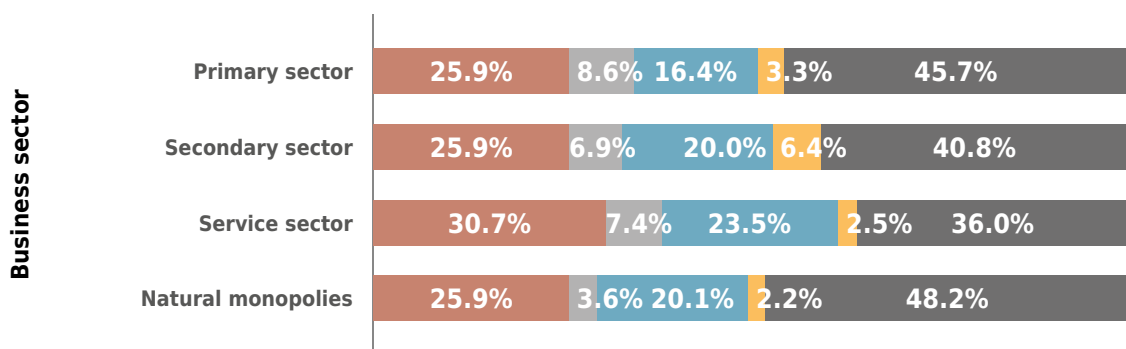
In your opinion what are disadvantages of mediation compared to court for resolving a business dispute? N1255



For a large part of the service sector representatives one of the disadvantages of mediation is that If the parties fail to settle, they will still have to go to court (30.7%). The same issue is assessed negatively by 25.9% of the representatives of the other three sectors (**in case of each business sector**). Additionally, more than one-fifth of the service sector representatives indicate voluntary compliance with settlement as a disadvantage and state that after resolving the dispute, the parties may not consider it mandatory to fulfill the terms of the agreement. The latter is considered as a disadvantage of mediation by 16.4% of the primary sector respondents, 20% of the secondary sector representatives and 20.1% of those employed in the natural monopolies sector.

Diagram #13

In your opinion what are disadvantages of mediation compared to court for resolving a business dispute? N=1255

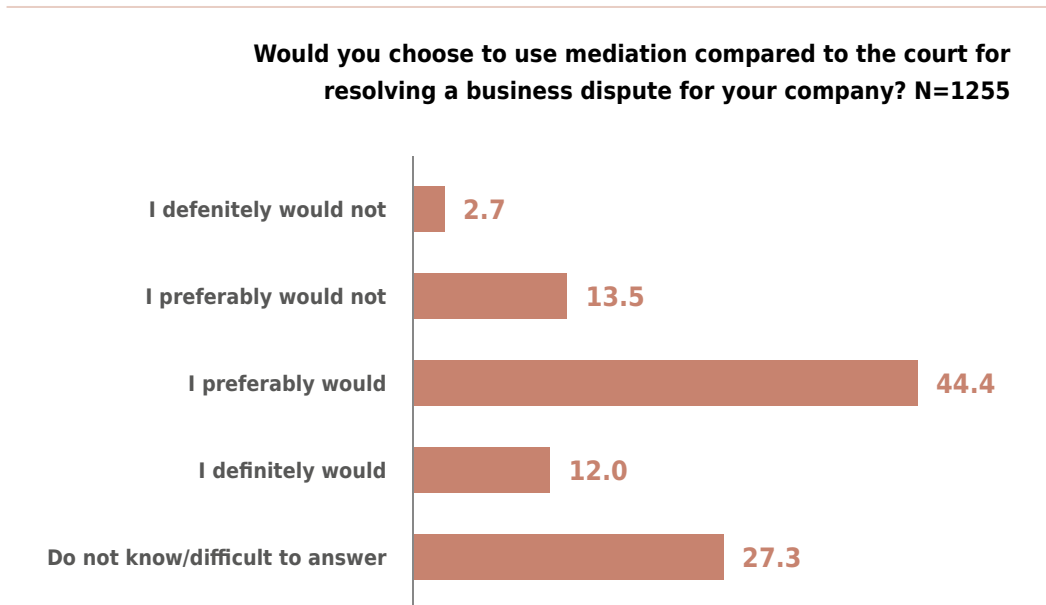


- If the parties fail to settle, they will still have to go to court and lose time
- It can be used in only a limited number of cases
- Parties may not consider compulsory to comply with the settlement
- Other
- Difficult to answer/Refuse to answer

Preference of mediation over court

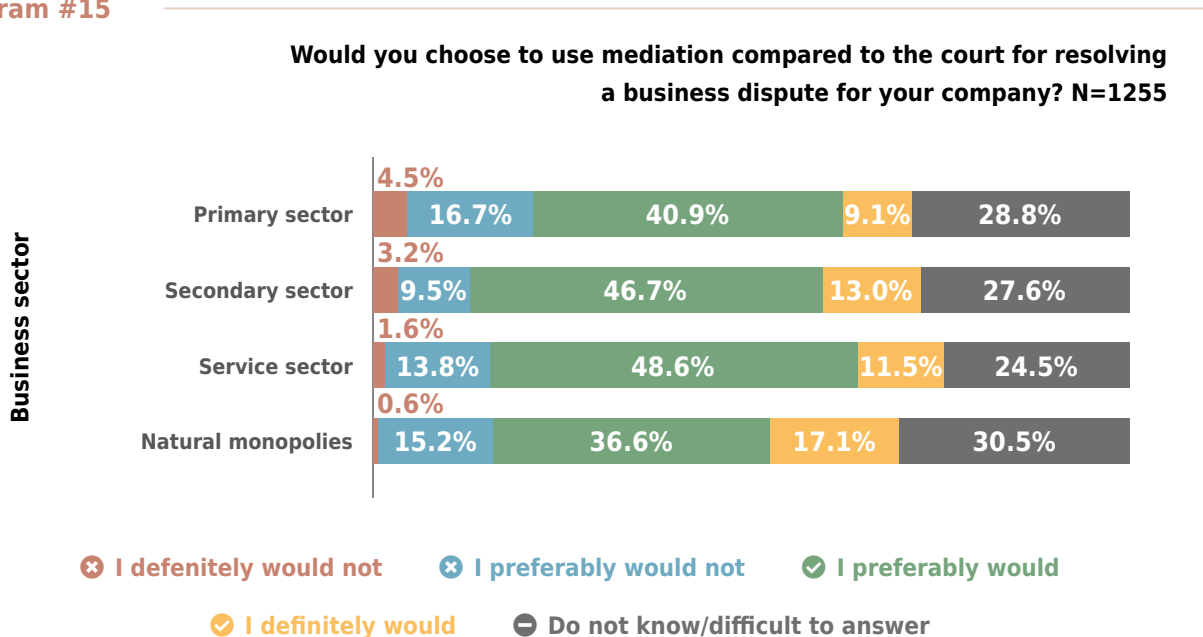
The study found that more than half of the respondents would choose mediation over court to resolve a business dispute for their company, if necessary. Only 12% of them would definitely choose mediation, while 44.4% would preferably choose mediation. The share of those who would not choose mediation over court is lower than 20%.

Diagram #14



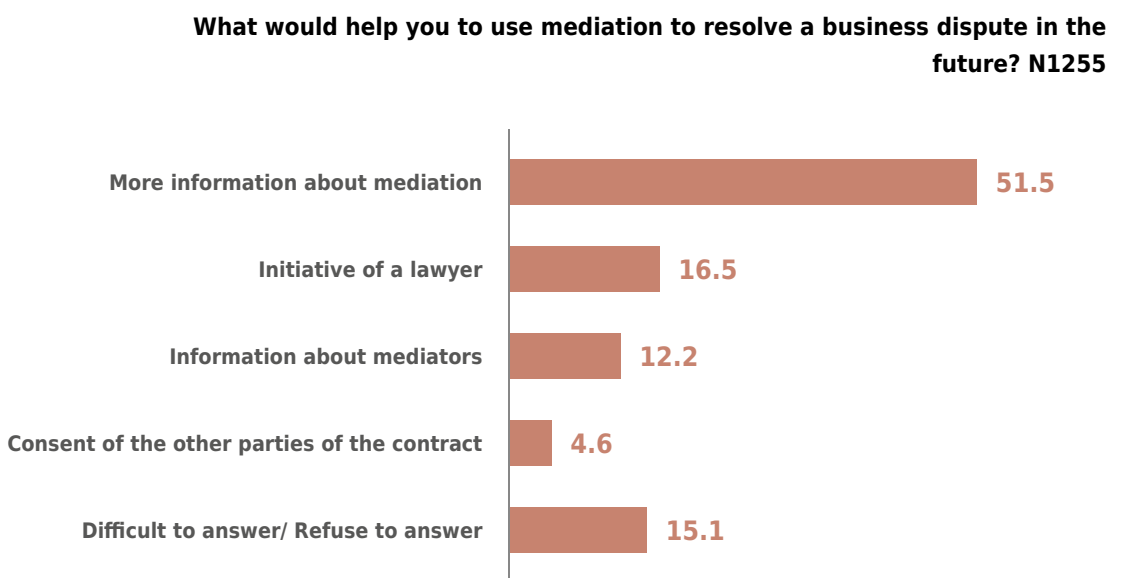
The service sector is characterized by its preference for mediation over the court in resolving business disputes (60.1% - "I preferably would " and "I definitely would "). However, it should be noted that among the listed sectors, the rate of those who would definitely choose mediation compared to the court, is higher among the representatives of natural monopolies (17.1%) and relatively less in the case of respondents in the primary sector (9.1%).

Diagram #15



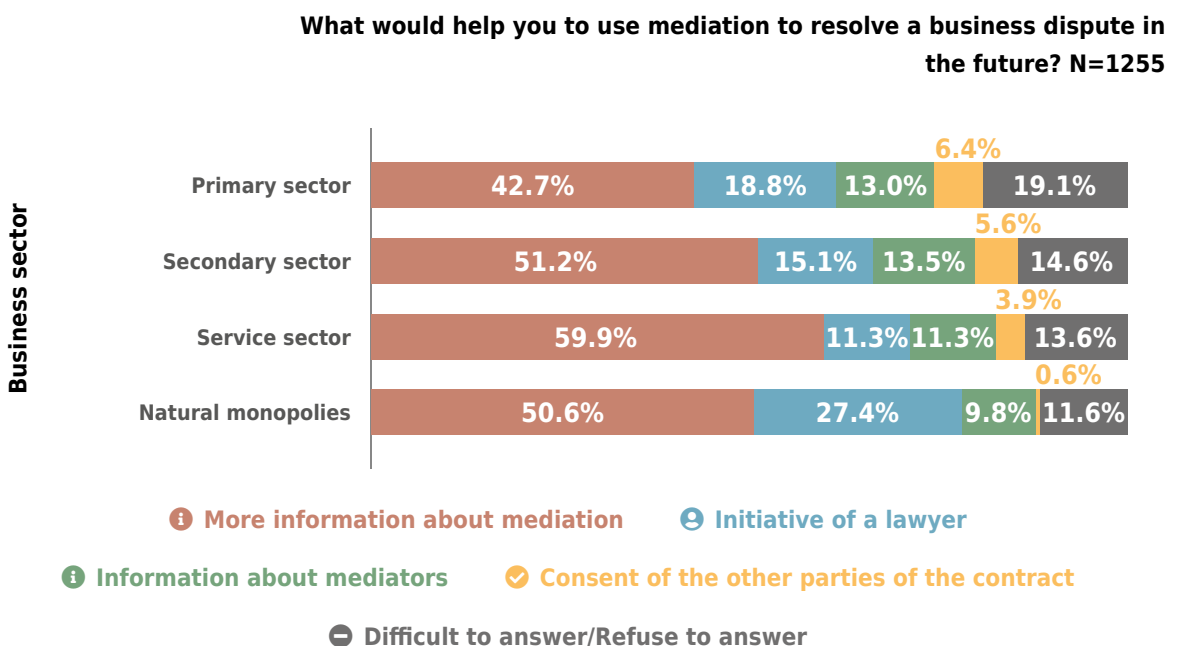
As every second respondent in the study points out, in order to choose mediation to resolve a business dispute in the future, they need more information about it; 16.1% entrust their own lawyer to make the choice between the court and mediation and believe that this requires the initiative of a lawyer. 12.2% indicate the need for information about mediators.

Diagram #16



In case of each business sector, except for the primary sector, the share of respondents who need more information about mediation to use it is more than 50%. Among the representatives of the primary sector, the number of such respondents is 42.7%. As for those who consider the initiative of a lawyer as the main determining factor, their share is the largest among the representatives of companies in the natural monopolies sector (27.4%). In other cases, this ranges from 11% to 19%.

Diagram #17

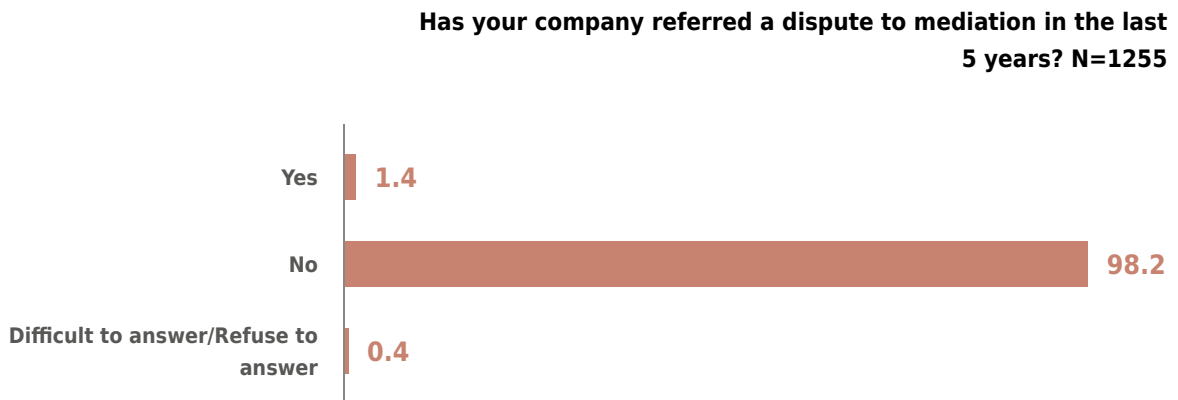


Experience in referring cases to mediation

Experience of mediation

The study showed that in the last 5 years, in case of the vast majority of respondents, their companies have not had the experience of referring the case to mediation. The number of those who had this practice is very low (1.4%).

Diagram #18



Satisfaction with services rendered

Respondents with relevant experience assessed satisfaction with mediation process. Of those surveyed who noted that they had the experience of using mediation (17 respondents in total), more than half (9 respondents) were satisfied with the process (2 of them - very satisfied). The number of dissatisfied respondents is 5 (3 - completely dissatisfied, 2 - dissatisfied). The analysis of satisfaction with mediation according to the business sector showed that 33.4% (2 respondents) of the primary sector respondents negatively assess their satisfaction, while every second respondent - provides positive assessment (3 respondents). 1 respondent from the secondary sector is completely dissatisfied with the mediation process, while 83.3% (5 respondents) are satisfied. A large proportion of respondents in the service sector is satisfied with the services received, while a quarter are dissatisfied.

Arbitration

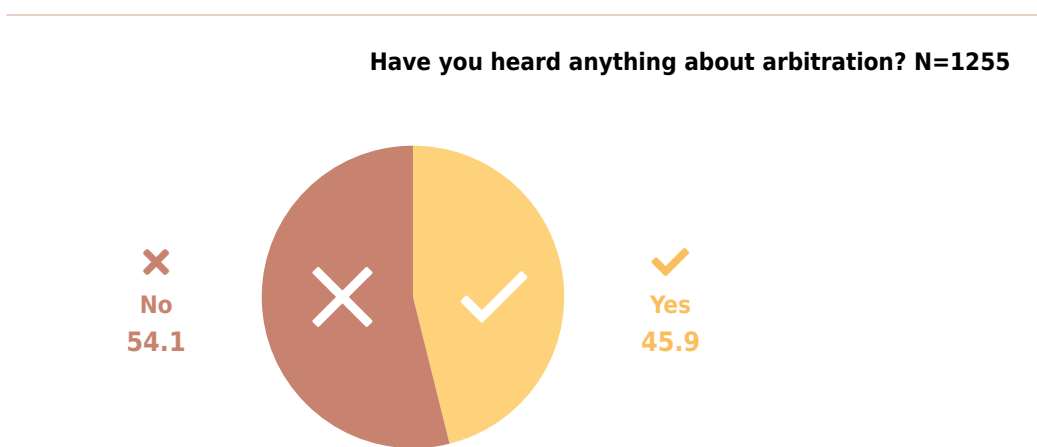
Awareness of arbitration

Basic awareness of arbitration

The study examined the level of awareness of respondents (company representatives) about arbitration, specifically, whether the target groups were informed about this method of ADR, what they knew about arbitration and what were sources of this information.

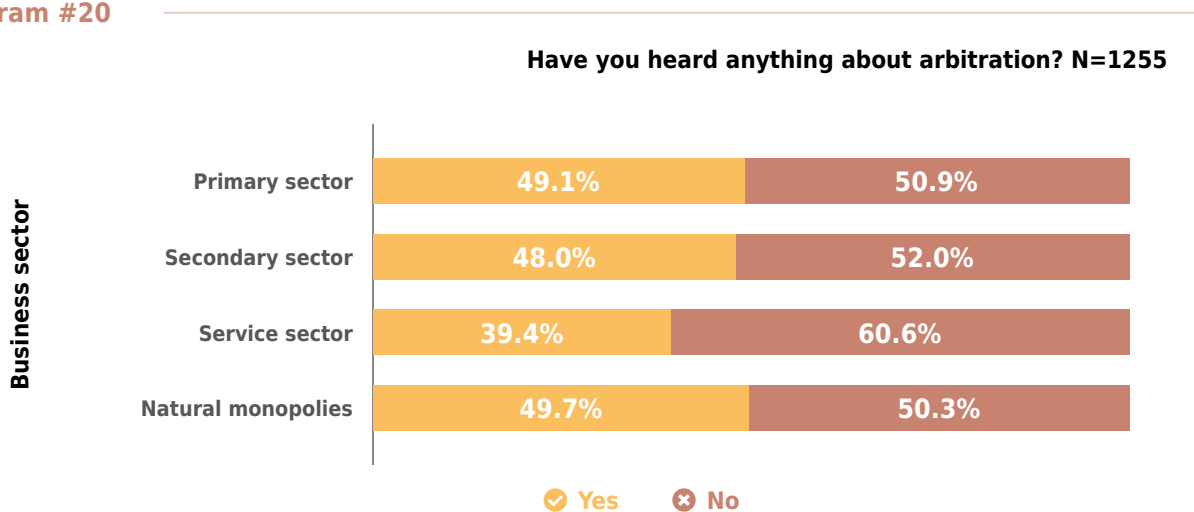
The majority of respondents (54.1%) say they have not heard of arbitration, and for 45.9% of respondents, this method of resolving disputes is familiar.

Diagram #19



Analyzing the issue of awareness of arbitration according to the business sectors showed that the representatives of business companies in the natural monopolies sector (49.7%) have the most information and those who run businesses in the service sector (39.4%) are the least informed. In case of the primary sector, the share of such representatives is equal to almost half of the respondents, while in the case of the secondary sector, 48% of respondents say that they have heard about arbitration.

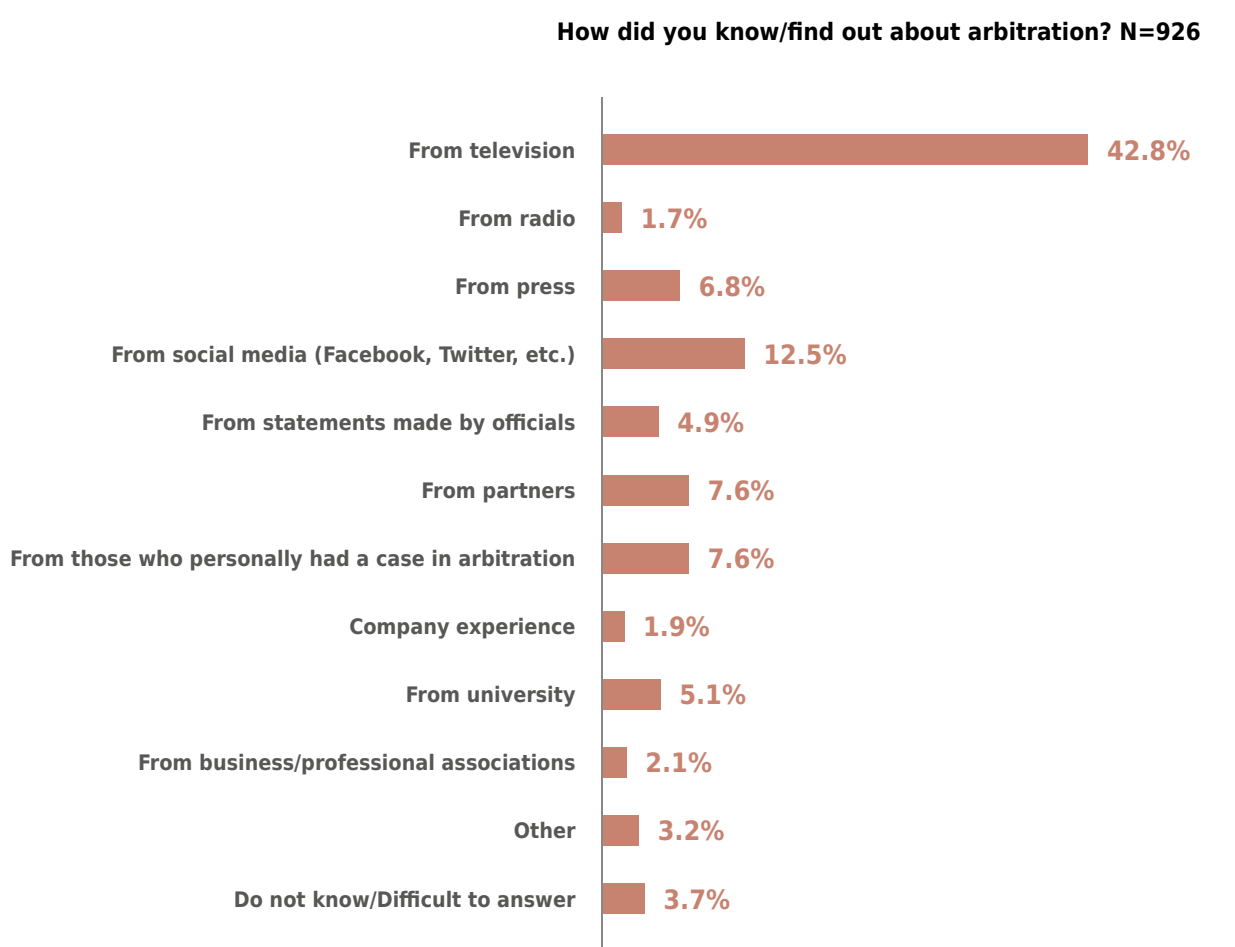
Diagram #20



Sources of information

The study participants, who had some information about arbitration, talked about the **sources of obtaining information**. Television (42.8%) was the primary source among those named by the respondents, followed by social networks (12.5%). Some have learned about arbitration from statements made by officials, partners, the university, and etc. However, it should be noted that other named sources does not exceed 8% (in the case of each source). 3.2% of the respondents mentioned additional sources in "Other" such as : obtaining this information from an accountant, through their legal profession or from acquaintances / friends. Others had experience in using arbitration themselves or had arbitration clause in their contracts.

Diagram #21



The analysis of the statistical data revealed that out of the four target business sectors in three cases the percentage of companies that obtained the information about arbitration through television media exceeds 40%. Specifically, these are: primary sector (43.9%), service sector (47.7%) and secondary sector (40.8%). In case of companies in the natural monopolies sector, the share of such respondents is a little over one third (36.5%). Except for the primary sector, other business sectors name social networks as the second most important source, with their share ranging between 9.9% and 16.3%. For respondents employed in the primary sector, the second important source is the print media (11%).

Table #3

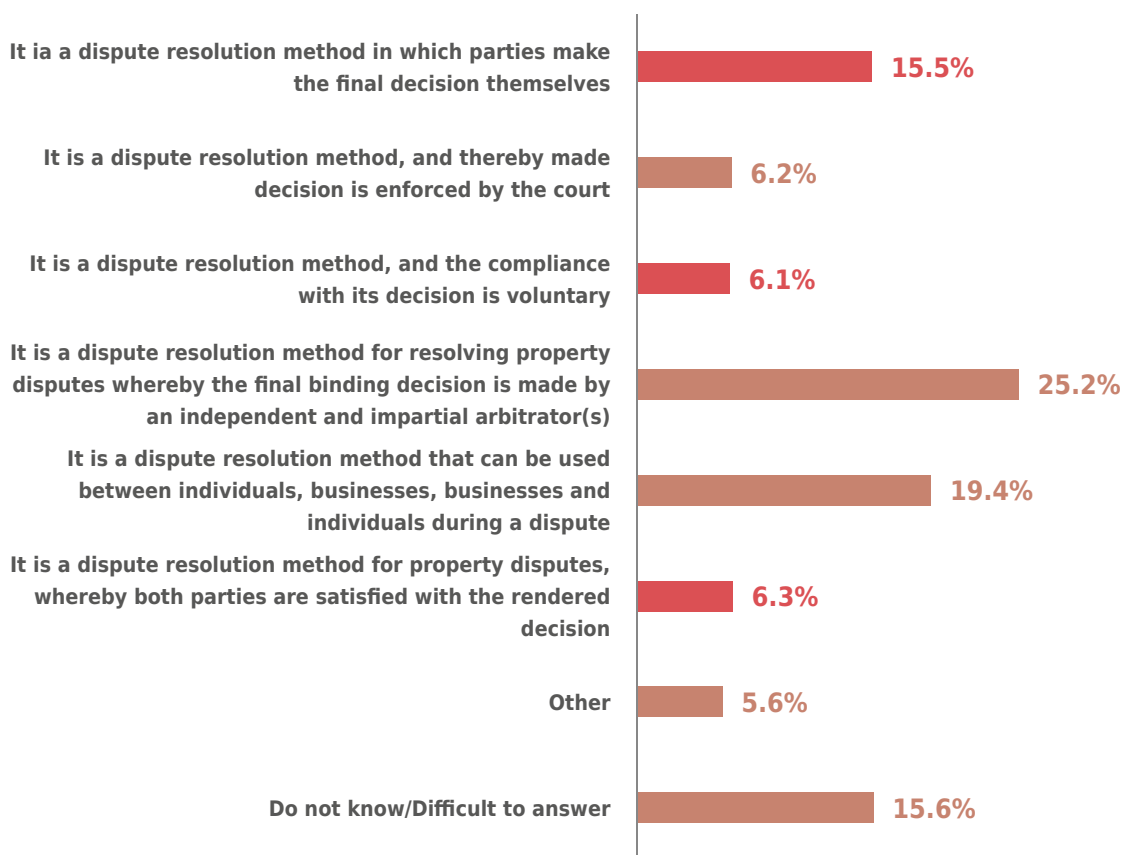
How did you know/find out about arbitration? (N926) (Business sector) ↓	Primary sector	Secondary sector	Service sector	Natural monopolies
From television	43.9%	40.8%	47.7%	36.5%
From radio	1.2%	1.1%	2.5%	2.9%
From press	11.0%	4.3%	6.0%	6.7%
From social media (Facebook, Twitter, etc.)	10.2%	14.9%	9.9%	16.3%
From statements made by officials	4.1%	3.5%	6.4%	6.7%
From partners	4.9%	11.0%	6.4%	6.7%
From those who personally had a case in arbitration	6.5%	6.4%	7.8%	12.5%
Company experience	1.2%	1.4%	3.2%	1.9%
From university	4.9%	6.4%	3.9%	4.8%
From business/professional associations	3.7%	2.5%	0.7%	1.0%
Other	2.8%	4.3%	2.8%	1.9%

What is arbitration?

Respondents who had some information or experience with arbitration were asked to describe arbitration. In total, about 51% of respondents have an adequate understanding of this process specifically, a quarter (25.2%) confirm that arbitration is a dispute resolution method for resolving property disputes whereby the final binding decision is made by an independent and impartial arbitrator(s). In addition to the above mentioned, a significant proportion of respondents (19.4%) also correctly mention that arbitration is a **method of dispute resolution that can be used between individuals, businesses, businesses and individuals during a dispute**. The proportion of respondents who have a misconception about arbitration varies between 6% -15.5%.

Diagram #22

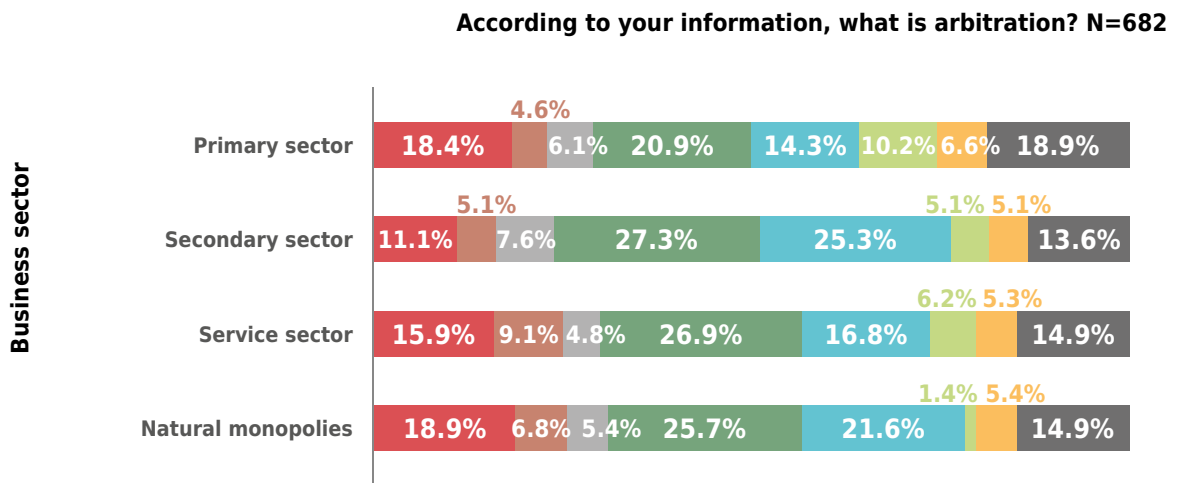
According to your information, what is arbitration? N682



Note: The wrong answers about arbitration are highlighted in red.

The study found that about 40% of primary business sector representatives have the correct understanding of what arbitration means. 20.9% of them say that arbitration is a dispute resolution method for resolving property disputes whereby the final binding decision is made by an independent and impartial arbitrator(s), while 14.3% consider arbitration as a way of resolving disputes between individuals, businesses, businesses and individuals; in case of the other three sectors, when explaining arbitration, the first two factors which were mentioned by the respondents of the primary sector are named as its main characteristics. 57.7% of those in the secondary sector have the right understanding of arbitration in whole, the share of such respondents in the service sector is 52.8% and in the sector of natural monopolies - 54.1%.

Diagram #23



- It is a dispute resolution method in which parties make the final decision themselves
- It is a dispute resolution method, and thereby made decision is enforced by the court
- It is a dispute resolution method, and the compliance with the made decision is voluntary
- It is a dispute resolution method for resolving property disputes whereby the final binding decision is made by an independent and impartial arbitrator(s)
- It is a dispute resolution method that can be used between individuals, businesses, businesses and individuals during a dispute
- It is a dispute resolution method for property disputes, whereby both parties are satisfied with the rendered decision
- Other
- Do not know/Difficult to answer

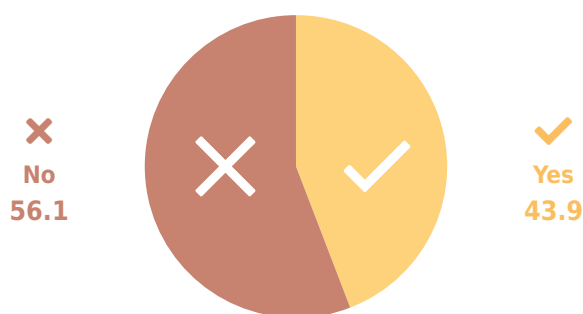
Attitudes towards arbitration

Awareness of arbitration after providing an explanation

In order to remind, specify or explain to the respondents what arbitration means (including those who have never heard of arbitration before), we offered them a brief explanation of arbitration that incorporated its main features. After all the respondents were given the accurate information 56.1% of those surveyed said they had not heard of arbitration (**did not remember**), while more than 40% of respondents were familiar with this method of dispute resolution.

Diagram #24

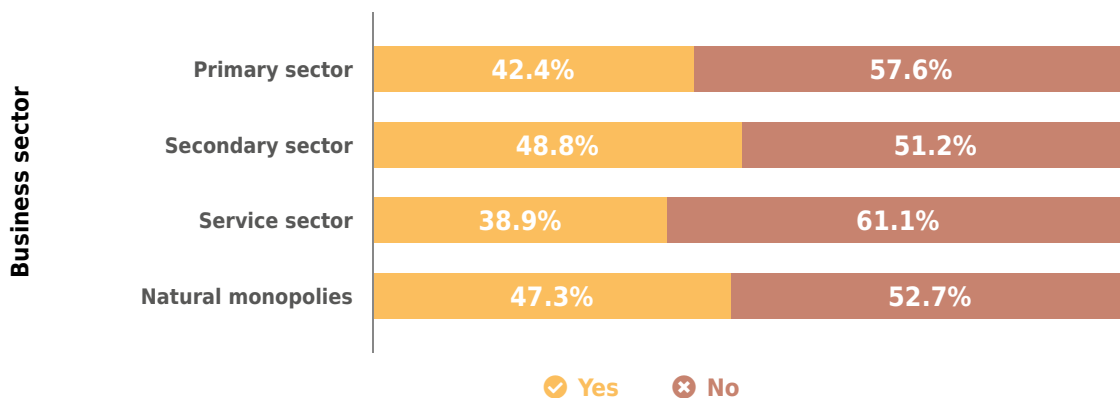
After the explanation, did you remember hearing / knowing more about arbitration? N=1255



The study revealed that after hearing the definition of arbitration, in case of each business sector, a large part of the respondents is still unaware (**could not remember**) of its meaning. In particular, among them the largest share of such respondents is in the service sector (61.1%). The most informed about this issue were the representatives of the secondary sector (48.8%).

Diagram #25

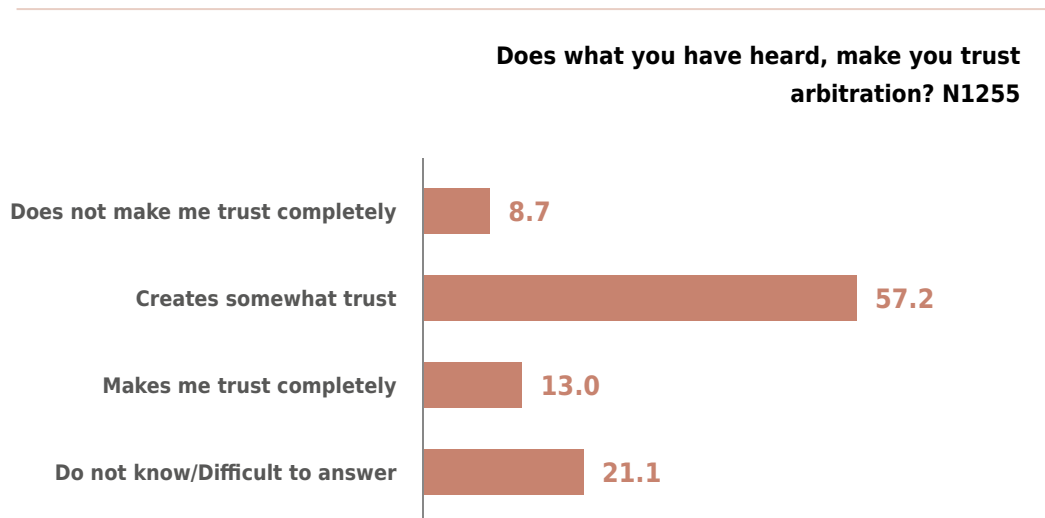
After the explanation, did you remember hearing / knowing more about arbitration? N=1255



Trust towards arbitration

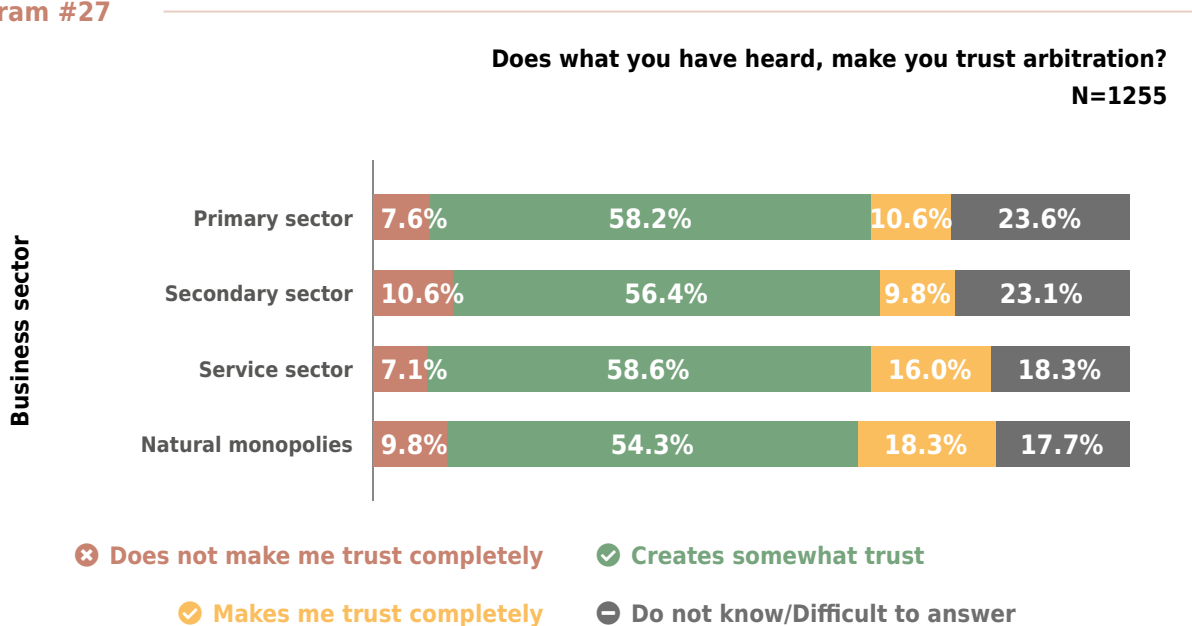
The majority of respondents noted that the information they heard about arbitration makes them somewhat trust this method (57.2%); Only 13% have expressed complete trust in arbitration, while 8.7% say that the information they have heard about arbitration is not trustworthy at all.

Diagram #26



Analyzing the trust of respondents towards arbitration across business sectors shows that in the case of each sector, the share of those who state that they somewhat trust the arbitration process exceeds 54%; the number of those who expressed full trust varies between 10% and 19%. The share of respondents who completely mistrust the arbitration process (**after hearing the explanation**), is less than 10%.

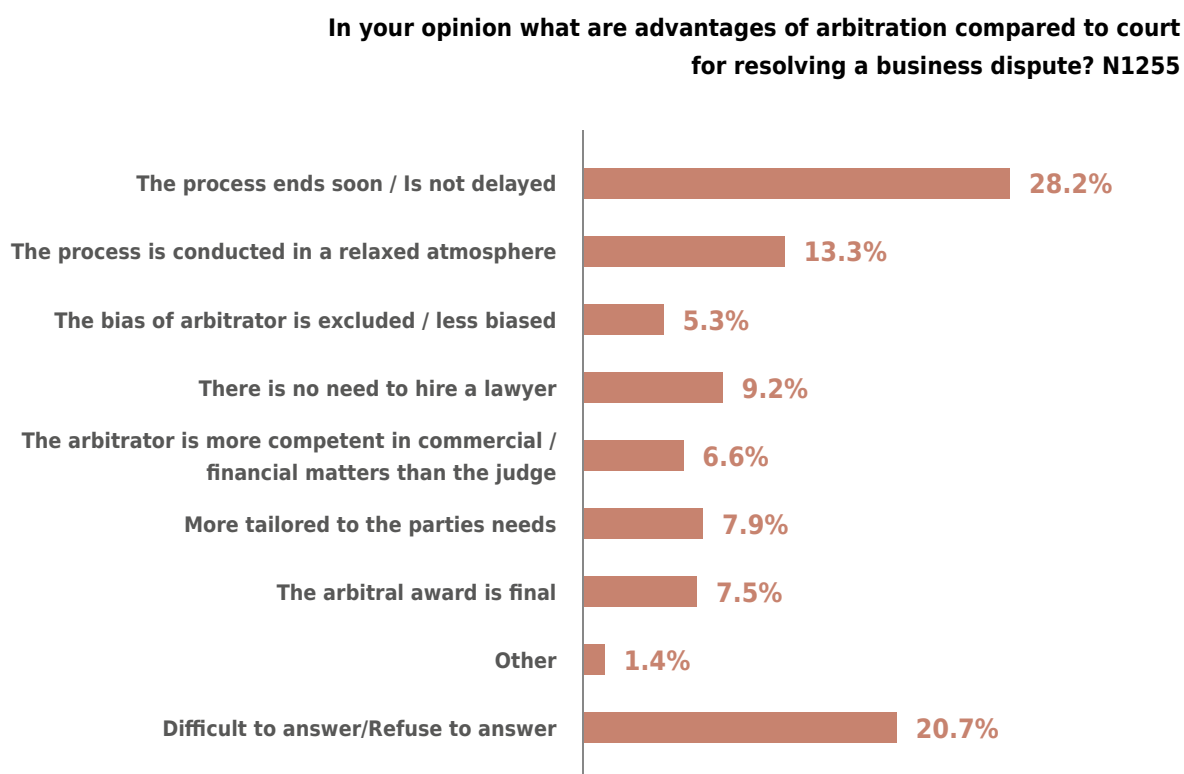
Diagram #27



Advantages of arbitration compared to court

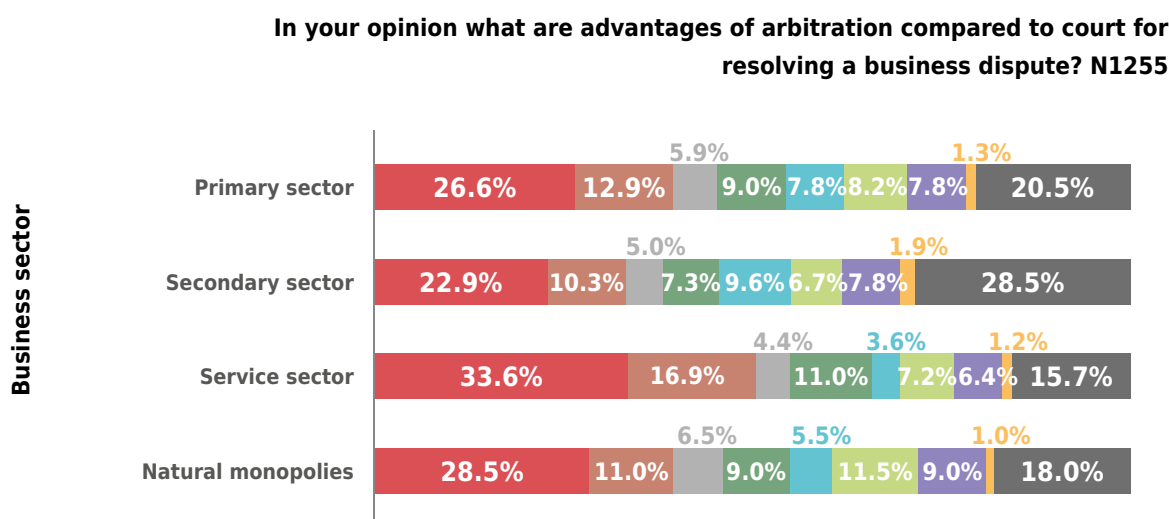
The study participants expressed their positions regarding the advantages of arbitration compared to the court. The significant part of the surveyed (28.2%) say that in case of using arbitration the proceedings are not delayed and the dispute ends soon. For 13.3 % of the respondents, dispute resolution environment proved to be important (**“the process is conducted in a more relaxed atmosphere”**). The share of other named advantages does not exceed 7.9%. Based on the above mentioned, it can be assumed that the duration of the proceedings and a relaxed environment are more important for the persons / companies involved in disputes. It is also noteworthy that one fifth of the respondents had difficulty talking about advantages of arbitration. Apart from the mentioned, the respondents also emphasized other advantages in the form of open answers (1.4%): that the confidentiality of arbitration process, the higher level of trust cost efficiency and more practicality compared to the court. In the opinion of several respondents, arbitration has no advantages compared to the court.

Diagram #28



The statistical data processing shows what the representatives of the individual business sectors consider to be the advantage of arbitration compared to court. Specifically, for the respondents of each business sector, the resolution of the dispute process in a short period of time, flow of the process in a calmer atmosphere and the fact that the arbitration process is tailored to the parties proved to be of utmost importance. The share of respondents with this view varies from 22% to 34% in each sector. Specifically, 28.5% of respondents representing natural monopolies say that for them it is important that the dispute process is not delayed and 11.5% name the flexibility of arbitration as its advantage (**“the arbitration process is more tailored to the parties’ needs”**). The share of those in the service sector, who emphasize the completion of the process in a short period of time, exceeds one third of the respondents, while 16.9% indicate the flow of the process in a calmer atmosphere.

Diagram #29

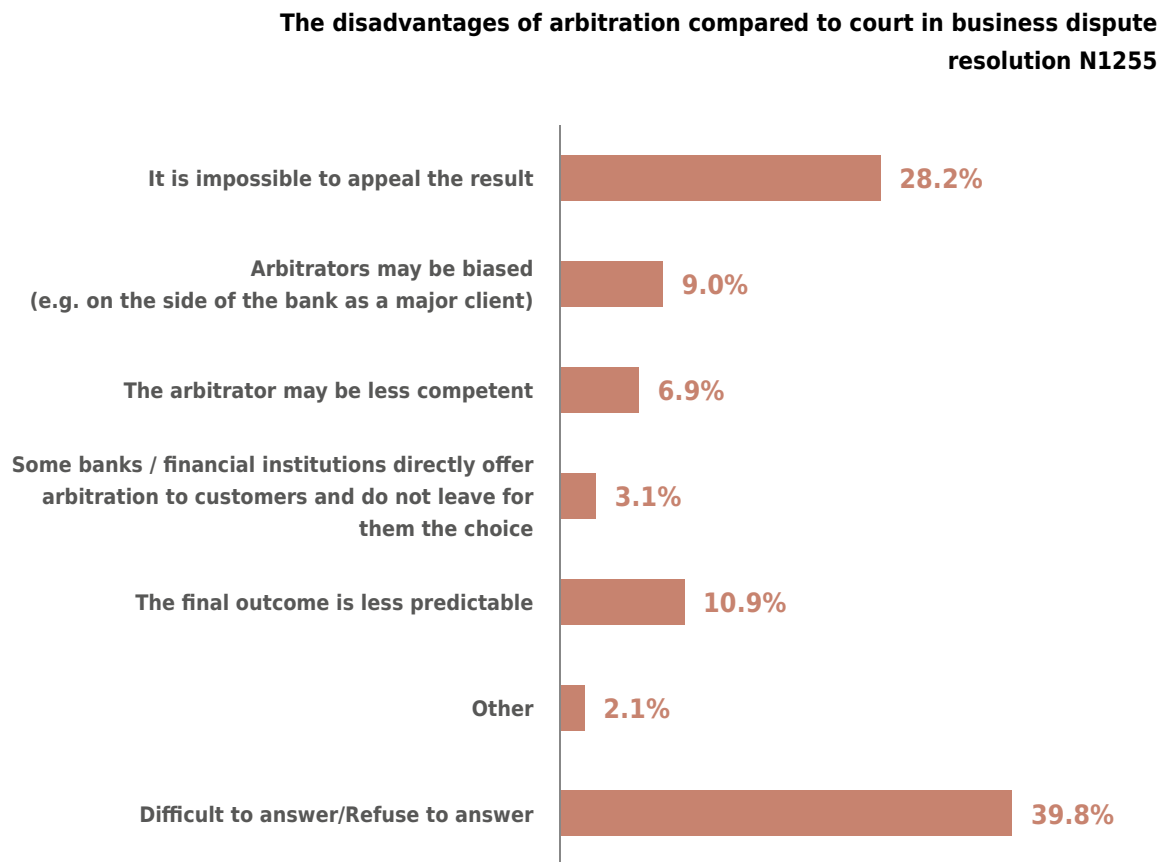


- The process ends soon / Is not delayed
- The process is conducted in a relaxed atmosphere
- The bias of arbitrator is excluded / less biased
- There is no need to hire a lawyer
- The arbitrator is more competent in commercial / financial matters than the judge
- More tailored to the parties needs
- The arbitral decision is final
- Other
- Difficult to answer/ Refuse to answer

Disadvantages of arbitration compared to the court

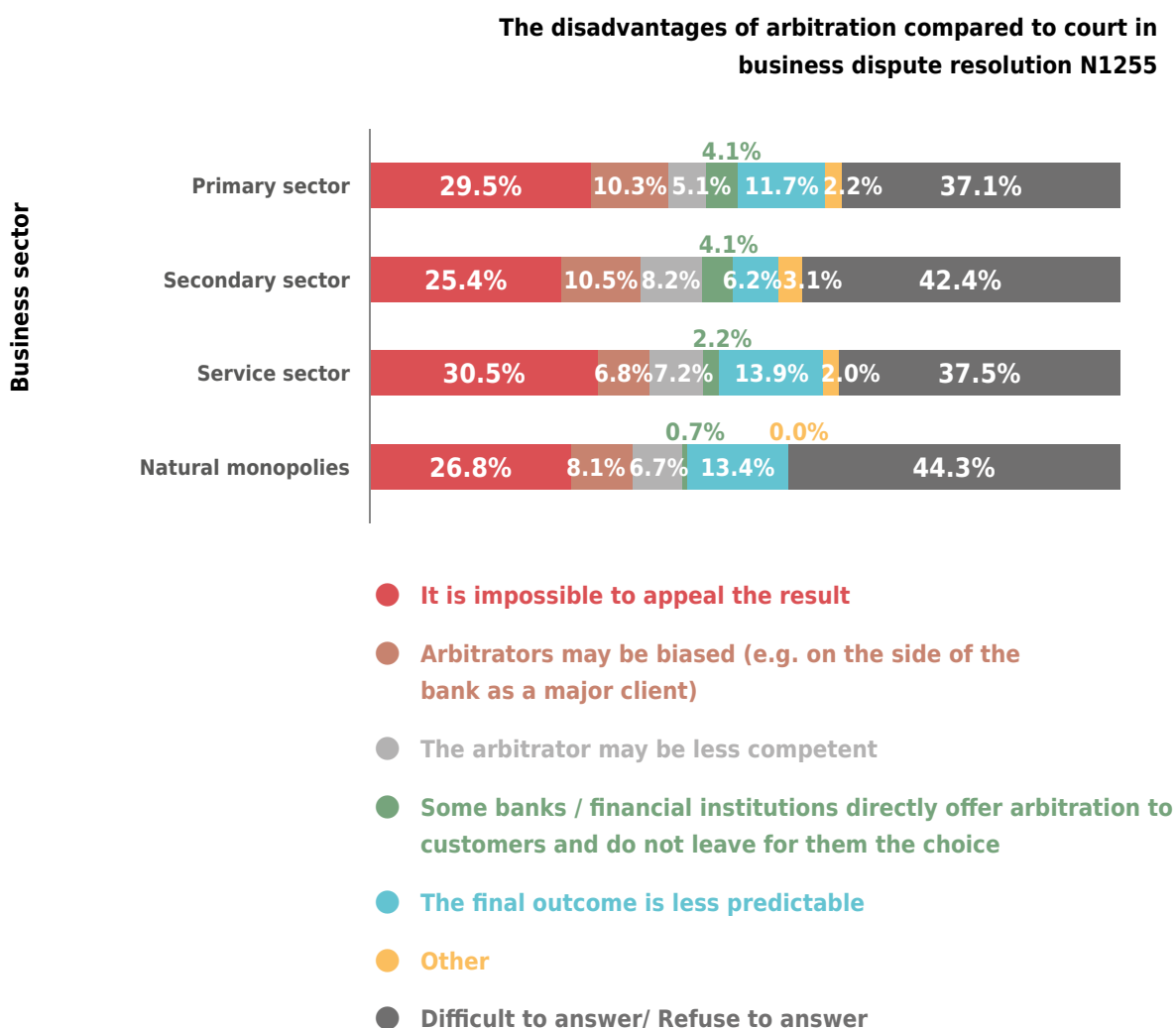
Apart from the advantages, the respondents pointed out the main **disadvantages** of arbitration compared to the court. Specifically, 28.2% of respondents state that it is impossible to appeal the result, 10.9% mention that the final outcome of the dispute is less predictable. It should be noted that 39.8% of the respondents found it difficult to talk about the disadvantages of arbitration, which probably stems from no experience in arbitration of some of the respondents. The small part of respondents (2.1%) also mentioned other negative sides of arbitration in open answers, such as low qualification of arbitrators and their low objectivity (impartiality/bias), the cases of appealing of the awards and their transfer to court, also limitations to the range of disputes that can be resolved by arbitration etc.

Diagram #30



The majority of service sector representatives mention that one of the advantages of arbitration is that that it is impossible to appeal the result (30.5%). The same issue is assessed negatively by 29.5% of the primary sector representatives, more than a quarter of the secondary sector and 26.8% of representatives in the sector of natural monopolies. Additionally, 11.7% of service sector representatives and 13.4% of natural monopolies name less predictability of the final outcome as a negative factor. The latter is considered as the disadvantage by 16.4% of service sector respondents. In case of primary and secondary sectors, about 10% refer to a possible bias of arbitrator.

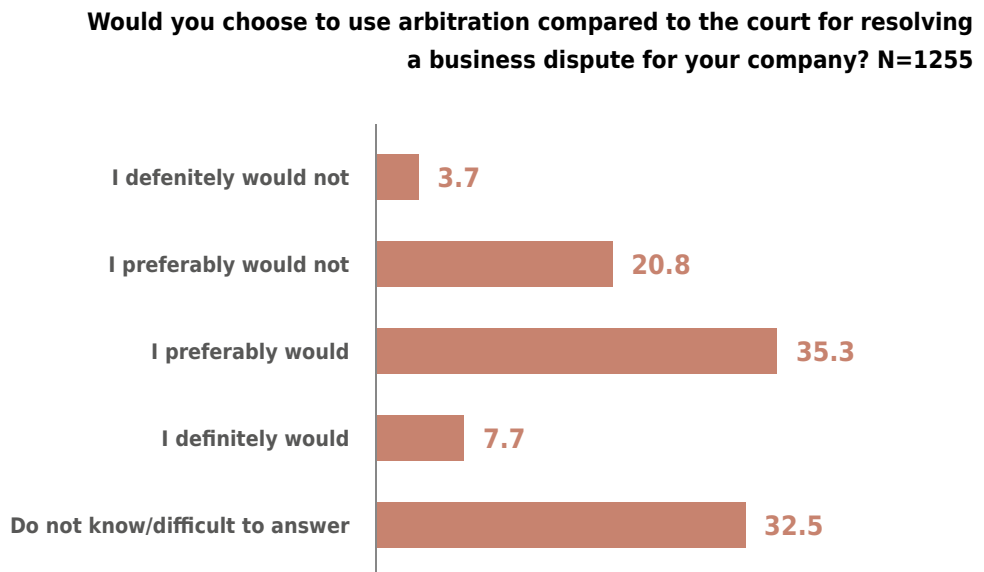
Diagram #31



Preference of arbitration over court

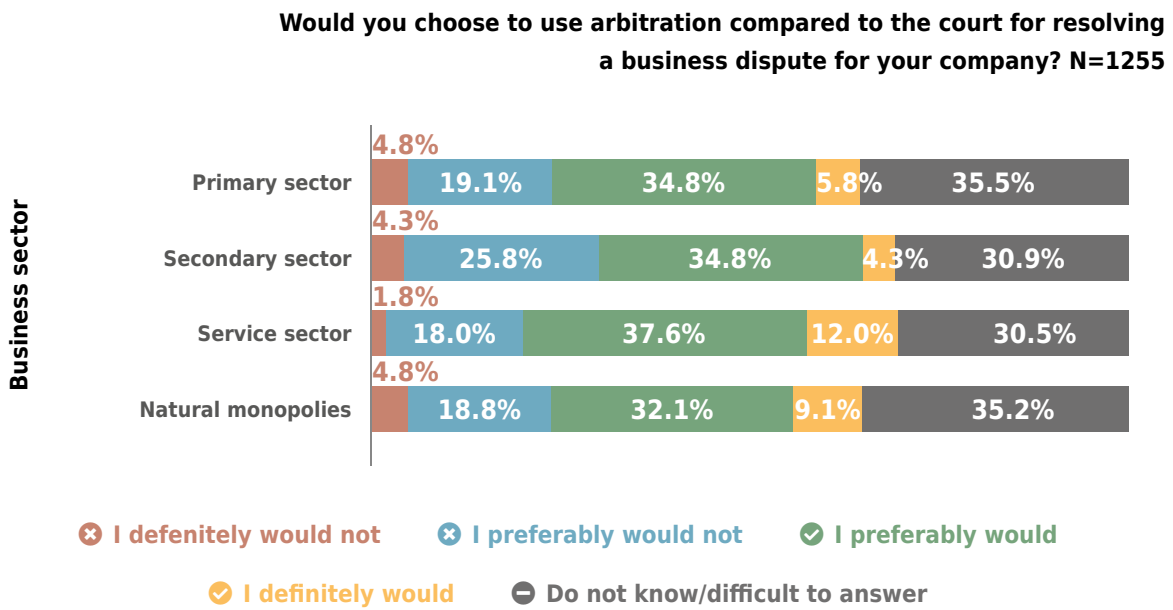
The study found that 43% of the respondents would choose arbitration over the court to resolve a business dispute of their company, if necessary. Only 7.7% of them would definitely choose arbitration (compared to the court), while 35.5% would preferably choose arbitration. The share of those who would not choose arbitration over the court is lower than a quarter.

Diagram #32



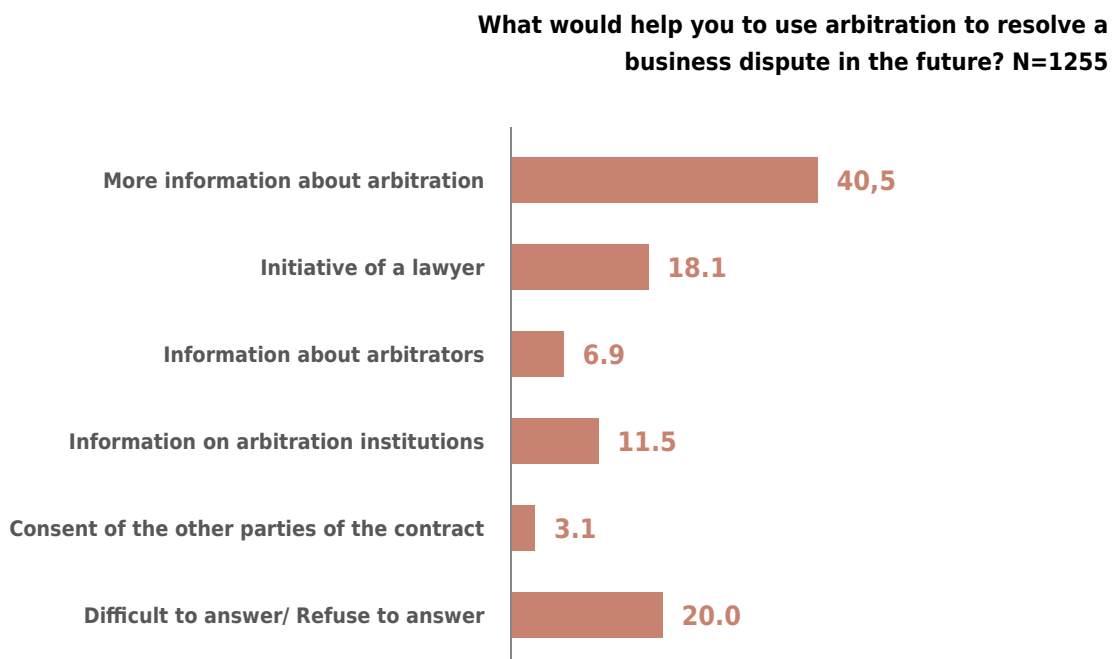
The service sector is characterized by its preference for arbitration over the court in resolving business disputes (49.6% - "I preferably would " and 12% "I definitely would"). Among the listed sectors, the rate of those who would definitely choose arbitration compared to the court, is higher among the representatives of service sector (12%) and relatively low in the case of respondents in the primary sector (5.8%). As for the percentage of those preferring the court, it is the highest in case of secondary sector (30.1%), and the lowest - in case of service sector companies (19.8%).

Diagram #33



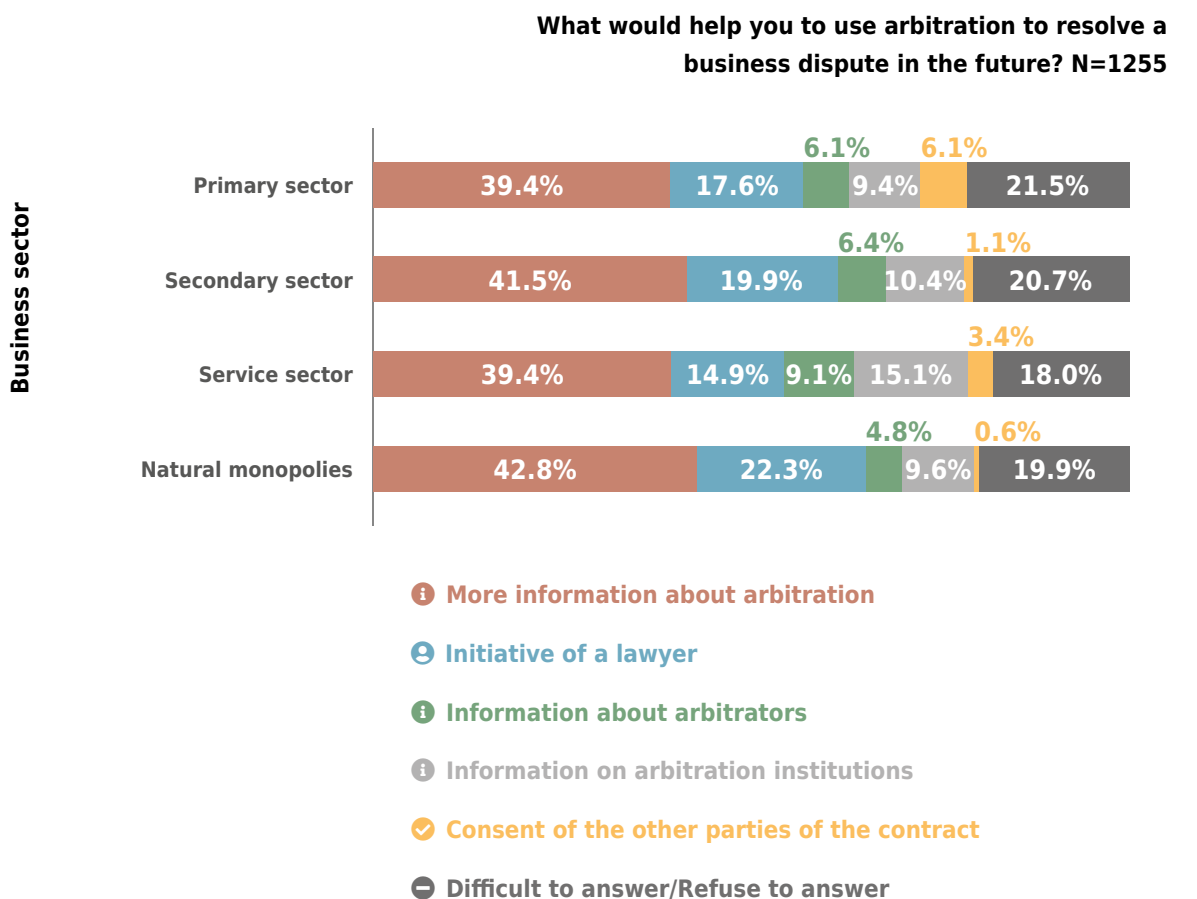
40.5% of the respondents point out that in order to choose arbitration for dispute resolution in the future, they **need more information** about it. 18.1% entrust their own lawyer to make this choice and believe that this requires the initiative of a lawyer. 11.5% indicate the need for information on arbitration institutions.

Diagram #34



Across all target business sectors, the share of respondents who consider obtaining more information about arbitration as a prerequisite for using arbitration is over 39%. Among the respondents in the primary and service sectors, their number is 39.4% (in each case), for natural monopolies - 42.8%, and in case of the secondary sector - 41.5%. The share of respondents who consider the lawyer's initiative to use arbitration as the main determining factor is largest in the natural monopolies sector (22.3%), while in other cases it ranges between 14% -20%.

Diagram #35

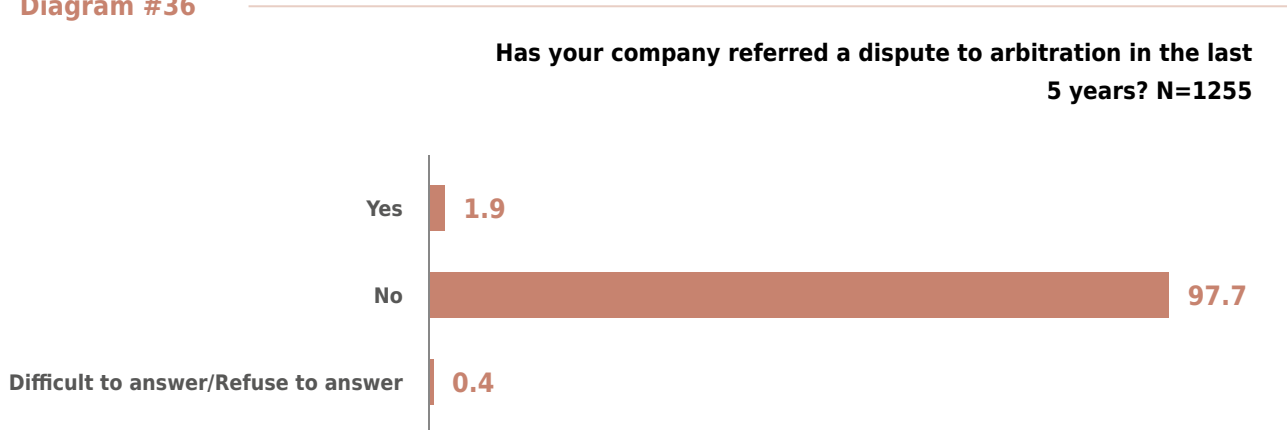


Experience in referring cases to arbitration

Experience of arbitration

The study showed that in the last 5 years, in case of the vast majority of respondents, their companies have **had no experience** of referring their cases to arbitration tribunal. The number of those having experience in arbitration is very low (1.9%).

Diagram #36



Satisfaction with services rendered

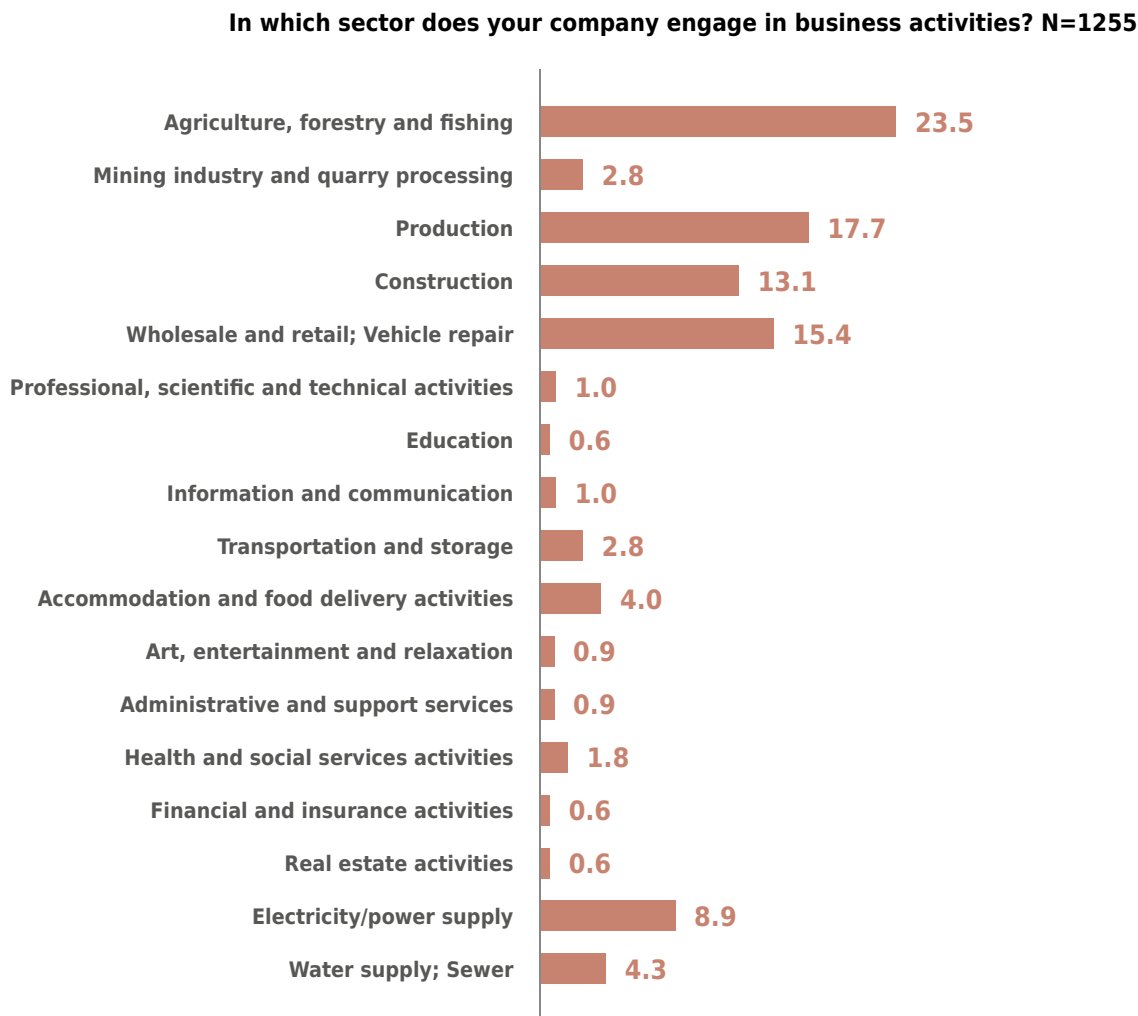
29 Respondents with experience in using arbitration assessed satisfaction with this process: More than half of them (17 respondents) were satisfied with the process (7 - very satisfied) and the number of dissatisfied respondents is equal to 4 (3 - completely dissatisfied, 1 - dissatisfied).

Analysis of satisfaction with arbitration according to business sectors showed that only 1 respondent from the primary sector representatives provides negative assessment, and every second respondent (3) gives positive assessments. Of the secondary sector representatives, also 1 respondent is completely dissatisfied with the arbitration process, while 55.5% (5 respondents) are satisfied. In the service sector, a large proportion of respondents (8 respondents) are satisfied with the services received, and 1 of the respondents is dissatisfied.

Profile of companies

23.5% of the companies surveyed were engaged in agriculture, forestry and fishing. 17.7% of respondents are representatives of production companies. 15.4% are engaged in wholesale and retail trade. 13.1% are employed in the construction sector. In addition to the above listed, the activities of the respondents are related to areas such as electricity supply, water supply and sewer, mining and quarry processing etc.

Diagram #37



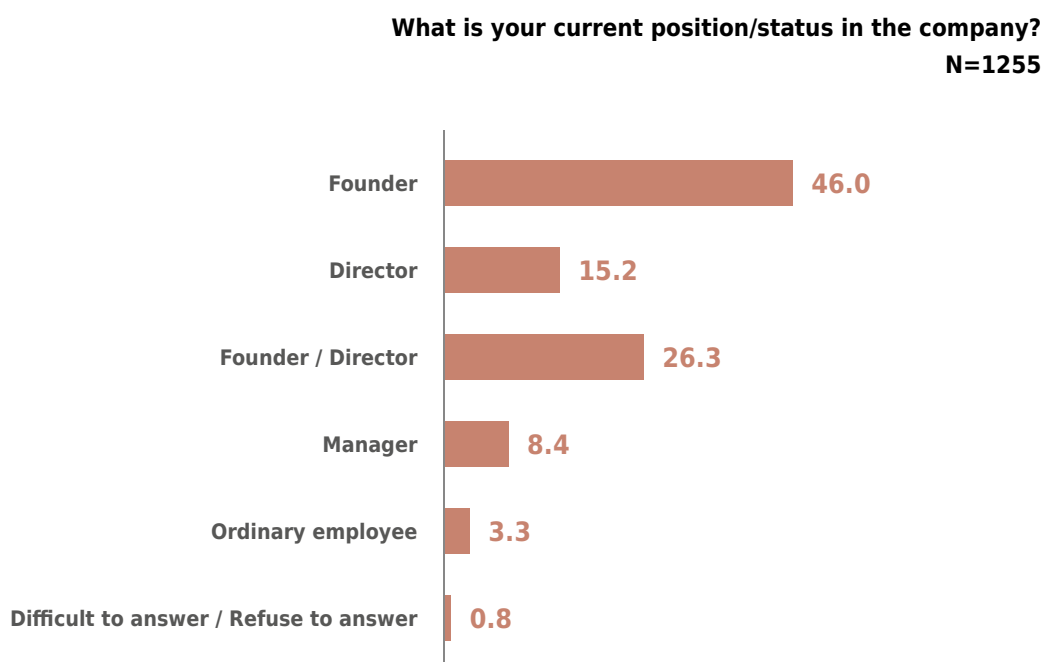
The activities of the surveyed companies were distributed according to the business sectors as follows: 89.1% of the employees in the **primary business sector** are employed in the companies engaged in agriculture / forestry / fishing. 10.9% of the respondents work in the mining industry and quarry processing. 57.3% of companies operating in the **secondary business sector** are in the production sector, while 42.7% are engaged in construction activities. As for the **service sector**, the scope of activities of its companies is diverse: the company related to every second respondent is engaged in wholesale and retail trade (including trade of vehicles), 13.10% work in the area of accommodation and food delivery, and 9.1% provide transportation and storage. As for **natural monopolies**, the main part of the companies in this sector is divided into two areas: a) 67.3% provide electricity supply; B) 32.7% of companies are engaged in water supply and sewer activities.

Table #4

In which sector does your company / enterprise engage in business activities? (by business sectors) N1255	Primary sector	Secondary sector	Service sector	Natural monopolies
Agriculture, forestry and fishing	89.10%		0.30%	
Mining industry and quarry processing	10.90%			
Production		57.30%	1.60%	
Construction		42.70%	1.00%	
Wholesale and retail; Vehicle repair			50.40%	
Professional, scientific and technical activities			3.40%	
Education			1.80%	
Information and communication			3.10%	
Transportation and storage			9.10%	
Accommodation and food delivery activities			13.10%	
Art, entertainment and relaxation			2.90%	
Administrative and support services			2.90%	
Health and social services activities			6.00%	
Financial and insurance activities			2.10%	
Real estate activities			2.10%	
Electricity/power supply			0.30%	67.30%
Water supply; Sewer				32.70%

46% of respondents occupy the position of the founder of the company; 15.2% - are directors. More than a quarter of the respondents are both the founders and the directors. Respondents also included company managers and ordinary employees.

Diagram #38



The data analysis according to the central trends, showed that the duration of the respondents' activities in all four business sectors varies from 10 to 12 years on average.

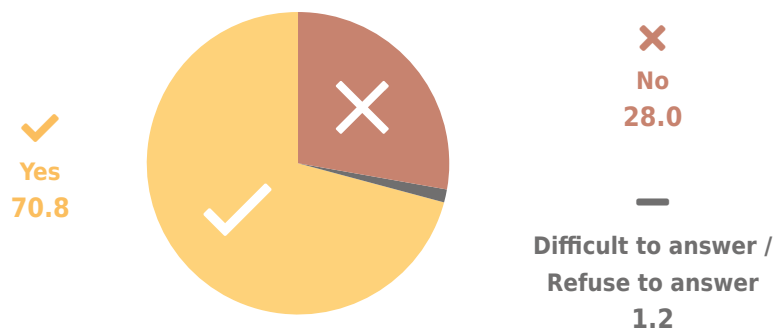
Table #5

How many years have you been employed in business sector? N=1255	Primary sector	Secondary sector	Service sector	Natural monopolies
N	330	377	383	165
Mean	11.68	9.92	10.86	10.77
Std. Deviation	16.962	12.974	17.737	17.397
Median	7.00	6.00	5.00	6.00
Minimum	1	1	1	1
Maximum	99	99	99	99

The majority of respondents (71%) mentioned that the form of ownership of their business is individual, only 28% mentioned that their business, as property, is shared with others.

Diagram #39

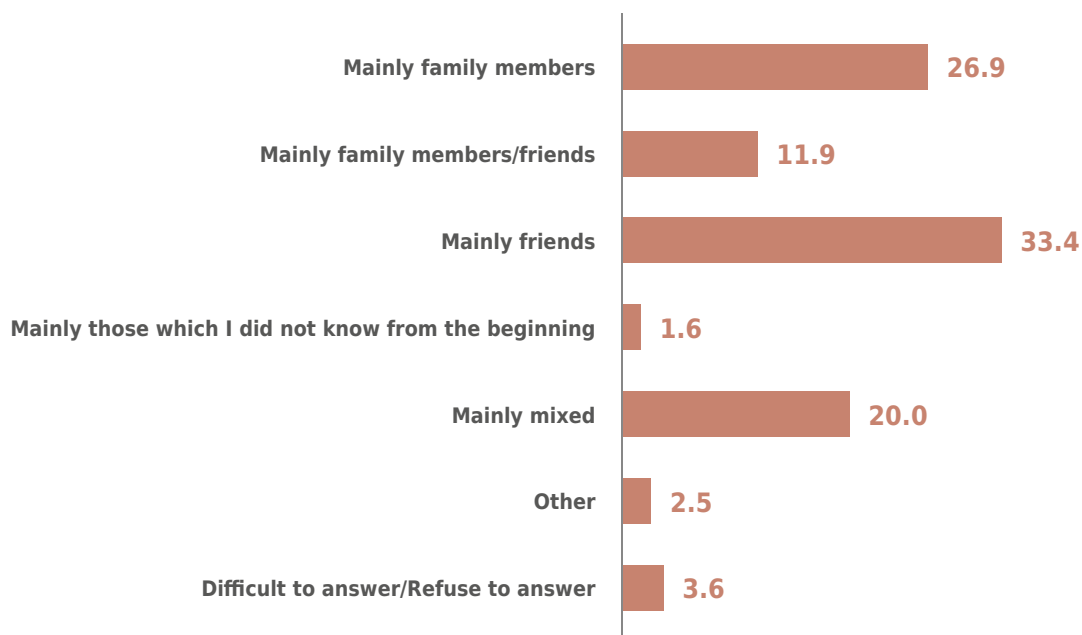
Is the form of your business ownership sole proprietorship? N=1255



According to the data, more than one fifth of the respondents name family members as business co-owners, and every third respondent says that they share the business with friends. In case of 20% of respondents, business owners are mostly different people (mixed). Slightly more than 10% say that the people involved in the business are mostly family members and friends. The share of those saying that their business co-owners are the people they didn't know before, is minimal. In addition to the above, the joint-stock companies are named as business co-owners, and in some cases, their business is under the subordination of the state (responses grouped under the category "Other").

Diagram #40

Mainly who are the co-owners of the business? N=367



The majority of respondents (53.4%) name the limited liability company (LLC) as the legal form of their companies. Almost every third respondent says that their company / enterprise operates as an individual entrepreneur. A small number indicates micro-entrepreneurship, cooperatives, etc. A small share of respondents mentioned that their company has not been granted the status of a legal entity. In addition to the above listed, partnership, joint stock company and others were named as the legal forms of the company / enterprise.

Diagram #41



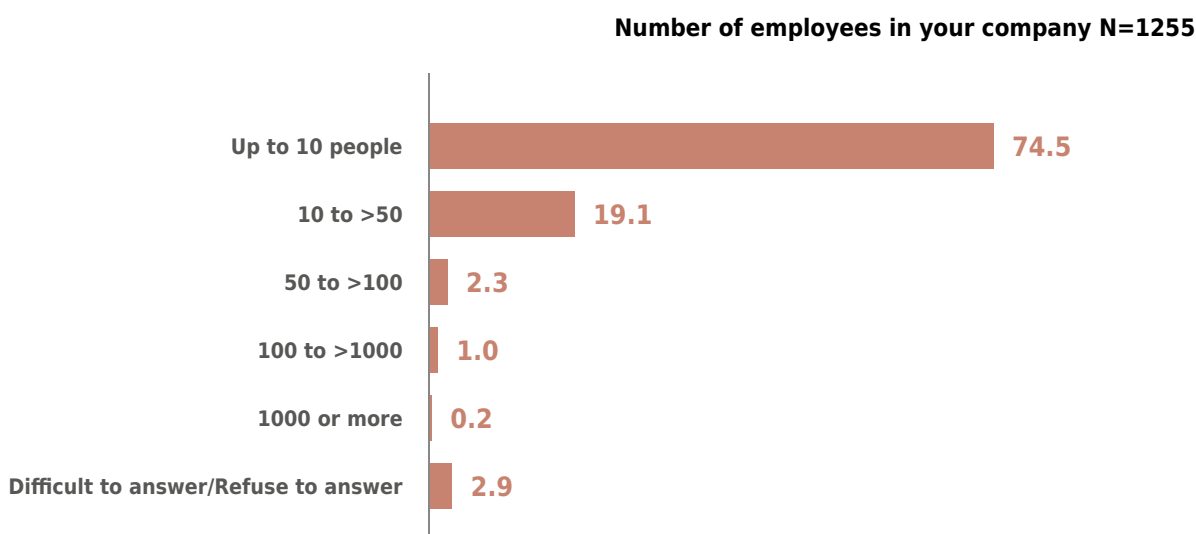
In the primary business sector, LLCs (46.1%) and individual entrepreneurs (31.6%) have the highest numbers. The share of companies / enterprises registered with the status / form of a joint-stock company and as a micro-entrepreneur is very small. In addition to the above listed, the number of companies / enterprises registered in the legal form of a limited liability company is high in the other three sectors. The share of individual entrepreneurs is 42.1% in the service sector, and less than 30% in the secondary and natural monopolies sector.

Table #6

Legal form of the company / enterprise By business sectors N1255	Primary sector	Secondary sector	Service sector	Natural monopolies
Micro Entrepreneur	4.6%	8.1%	7.2%	8.6%
Individual Entrepreneur	31.6%	25.0%	42.1%	27.0%
Joint- stock Company	0.3%	0.8%		3.1%
Limited Liability Company (LTD)	46.1%	65.6%	49.6%	57.1%
Cooperative	13.9%	0.3%		1.8%
Not a legal entity	3.1%	0.3%	0.5%	0.6%
Difficult to answer/ Refuse to answer	0.3%		0.5%	1.8%

The majority of respondents (74.5%) surveyed said that their company employs up to 10 people as permanent staff members. In case of almost one-fifth of the respondents, their companies employ 10 to 50 people. The share of respondents who indicate more than 50 employees in companies is significantly lower.

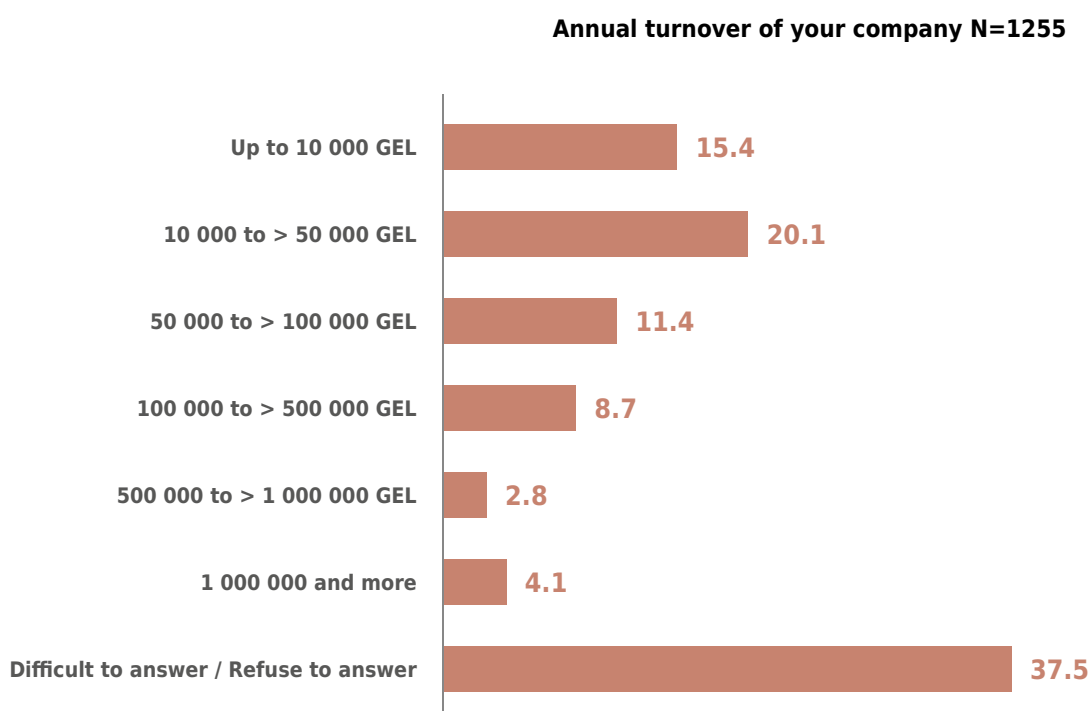
Diagram #42



Reviewing the number of employees in the company / enterprise according to the business sectors shows that mostly, the number of employees in all four sectors, is up to 10 people.

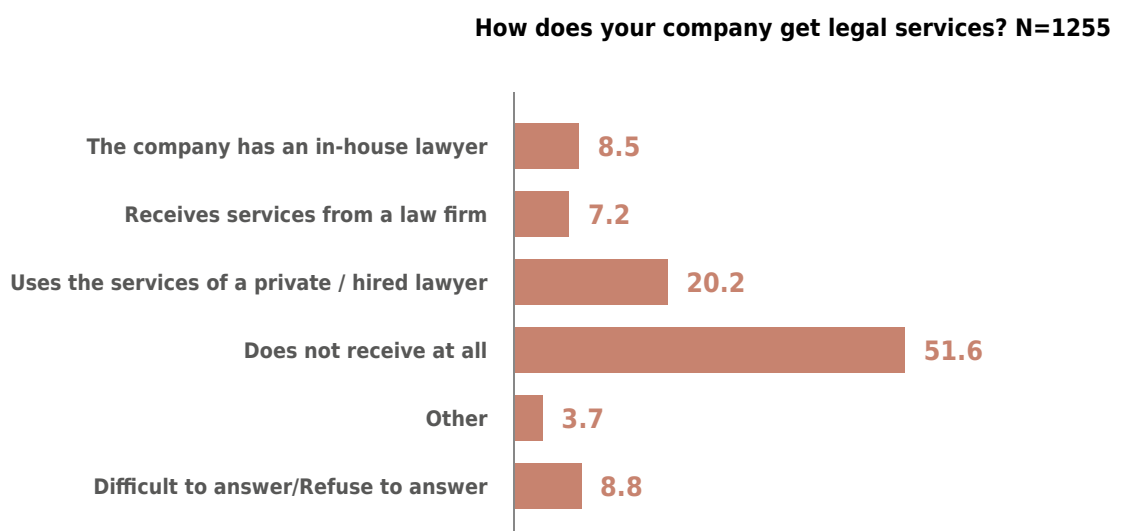
In addition to the issues discussed, respondents also talked about the **annual turnover** of their companies / enterprises. As the survey showed, in case of one fifth of the respondents, the annual turnover of their companies ranges from 10,000 to 50,000 GEL. 15.4% of respondents say that the annual turnover of their company / enterprise does not exceed 10,000 GEL. The share of those who say that their companies have an annual turnover of 50,000 to 100,000 varies between 8% -12%.

Diagram #43



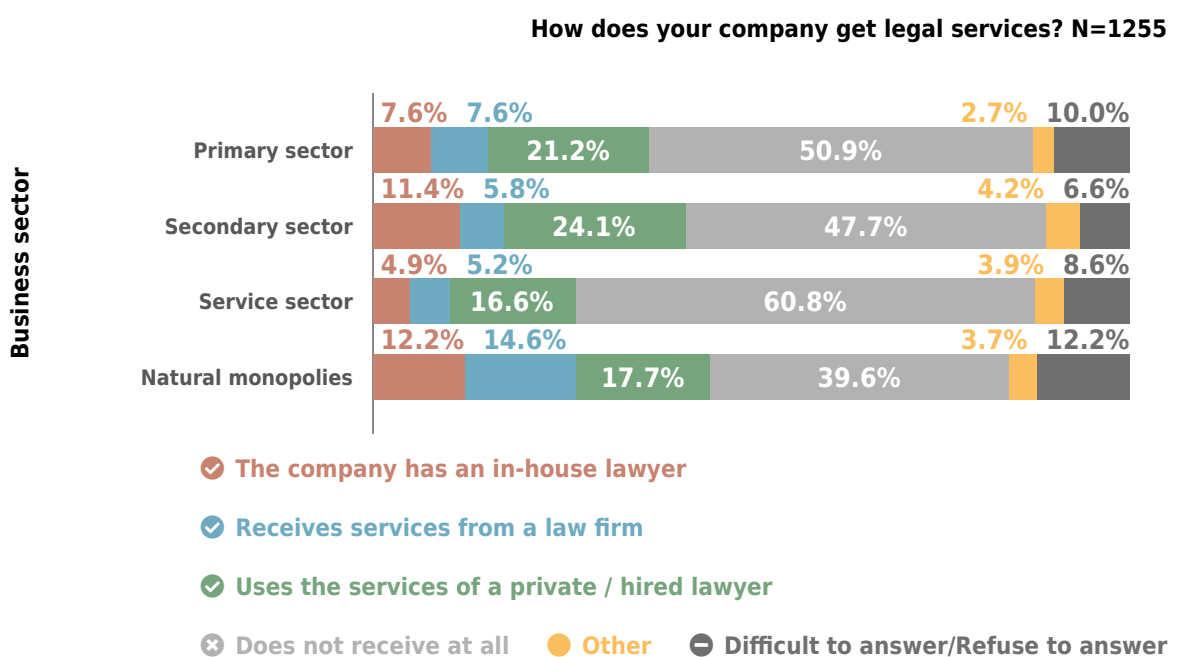
Statistical data show that the company / enterprise of every second respondent does not receive any **legal services**. One fifth of the respondents say that this service is provided by a private / hired lawyer. Only 8.5% mentioned that their company has its own lawyer. 7.2% of respondents receive legal services from a law firm. In addition to the above listed, part of the companies / enterprises involved in the study, receive legal services from the revenue service, financial manager, lawyer friend or others.

Diagram #44



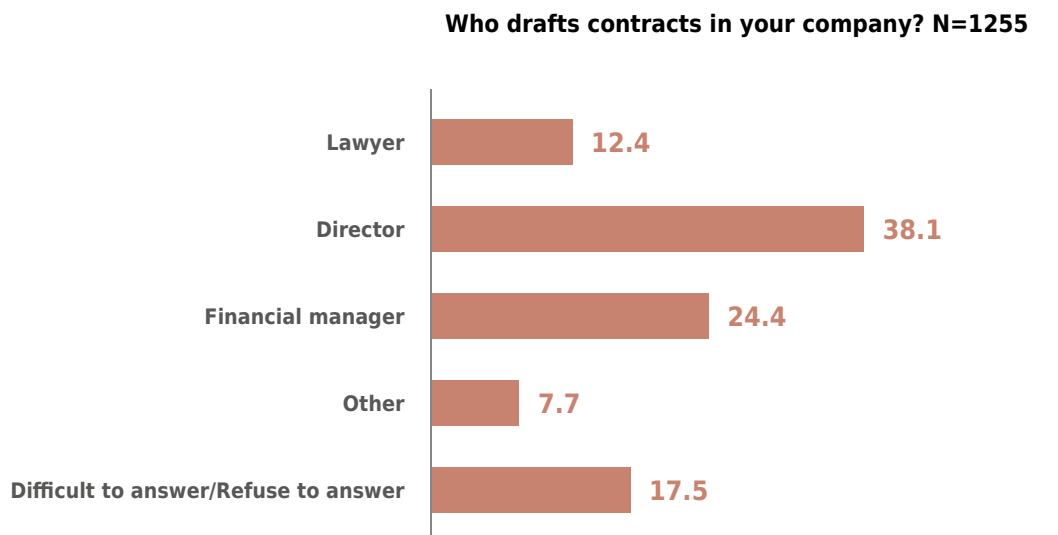
By business sectors, the number of companies that do not receive legal services at all is highest in the service sector (60.8%) and lowest in the case of natural monopolies (39.6%). 12.2% of companies in the natural monopolies sector have their own lawyer, and 17.7% receive this service from a private / hired person. As for the service sector, in their case 16.6% receive the legal services of a hired lawyer. The number of such respondents in the secondary sector is almost a quarter, while in the primary sector it is slightly more than a fifth of the respondents.

Diagram #45



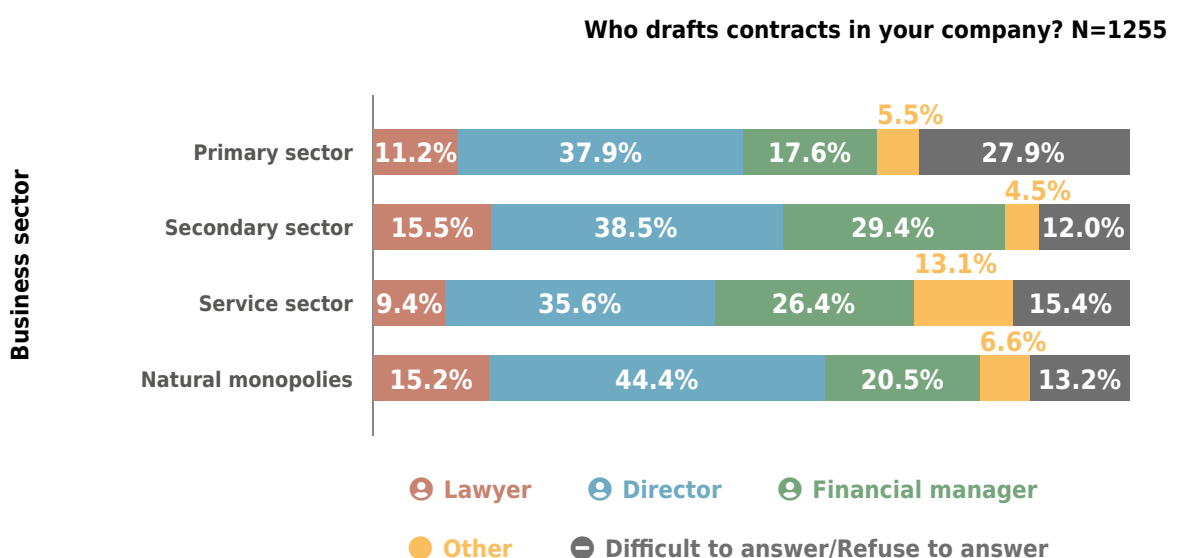
38.1% of the respondents mentioned that the contract in their company is drafted by the director, while 24.4% say that this job is done by the financial manager of the company. Only 12.4% of respondents said that it is the responsibility of a lawyer to draft the contracts in their companies. 7.7% of the respondents name business owners, accountants, board members, founders, notaries, etc. as the ones who draft the contracts in the company / enterprise.

Diagram #46



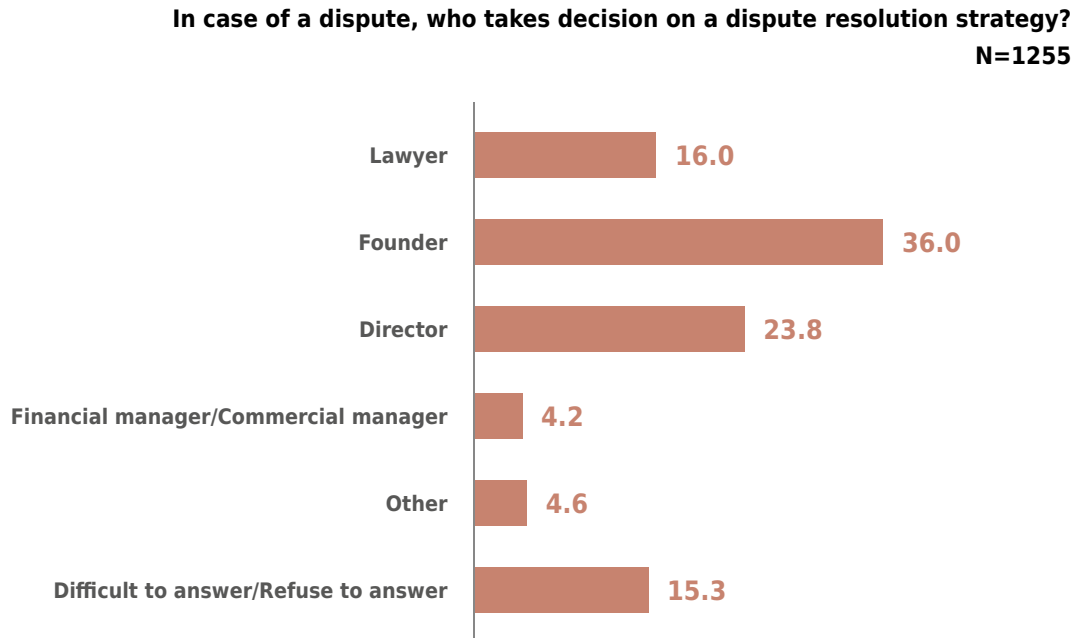
The persons drafting the contracts in the company / enterprise according to business sectors are distributed as follows: in case of the primary sector, 37.9% of respondents said that this document is prepared by the director, while 17.6% said that this is the prerogative of the financial manager. In the secondary sector, the share of respondents who define the drafting of the document as the work of the director is 38.5%; 29% say that the financial manager of the company / enterprise combines this task along with the work. In case of natural monopolies and the service sector as well, the number of respondents who attribute the drafting of the contract to the activities of the two above-mentioned persons is significantly higher than the share of those who say that this document is prepared by a lawyer or other persons.

Diagram #47



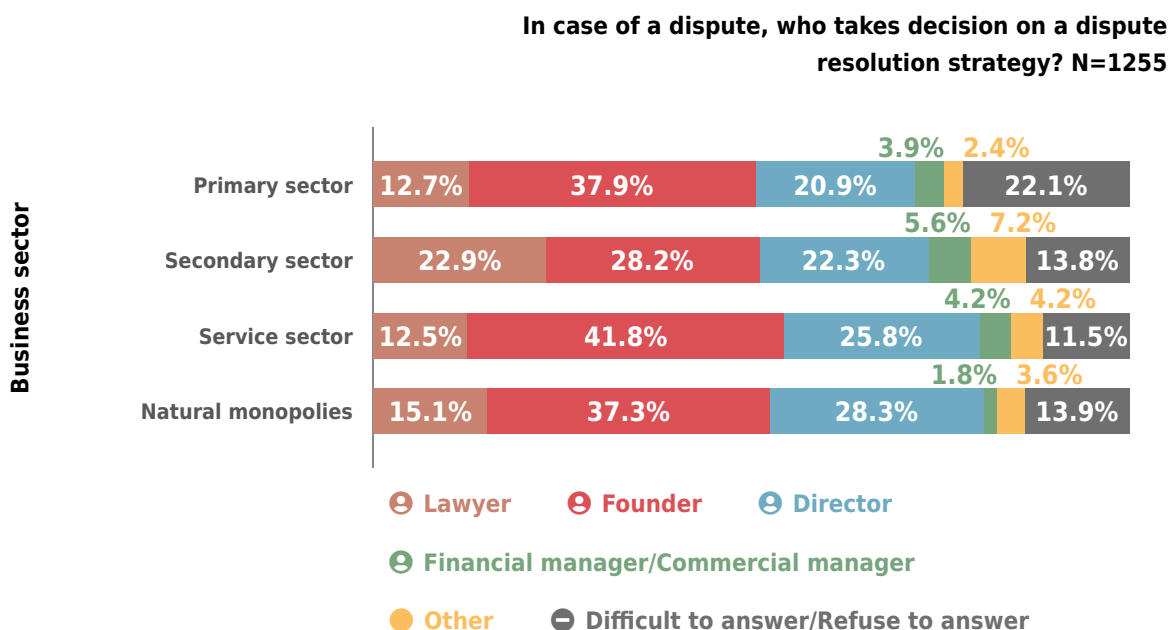
According to the study results, in case of a dispute in the company / enterprise, the founders (36%), the director (23.8%) and the lawyer (16%) are mostly named as the ones who define the problem solving strategy. In addition to the above mentioned, some respondents name the financial manager and other persons as individuals involved in the development of strategy for solving such problems.

Diagram #48



According to the business sectors, in case of a dispute in the company, a large proportion of the respondents in the service sector names the founder as the person decided on the dispute resolution strategy (41.8%). 25.8% of respondents from the same sector say that decisions on such issues are made by the director. In case of natural monopolies, 15.1% of respondents say that this function is fulfilled by a lawyer. More than a fifth of those surveyed in the secondary sector name the lawyer as the key actor in determining a dispute resolution strategy.

Diagram #49



The vast majority of respondents (87%) state that their company is not a member of any business association, however, a small number of respondents name such associations as the Georgian Farmers' Association, Business Association of Georgia, the Union of Oil-products Importers and others.

Diagram #50

Which business association member is your company? N=1255

