

**ORGANIZATION
OF THE BLACK SEA
ECONOMIC
COOPERATION (BSEC)**

**KONRAD
ADENAUER
STIFTUNG
(KAS)**

**WORKSHOP ON
“SOCIAL RESPONSIBLE ENTREPRENEURSHIP FOR SMEs”**

Moscow, 18-20 June 2008

Summary Proceedings

1. The Workshop on “Social Responsible Entrepreneurship for SMEs” was held in Moscow, the Russian Federation, on 18-20 June 2008. It was jointly organized by the Permanent International Secretariat of the Organization of the Black Sea Economic Cooperation (BSEC PERMIS) and the Representation of the Konrad-Adenauer-Stiftung (Foundation) (KAS) for Turkey.

2. Welcoming statements were delivered by Ambassador Murat SUNGAR, First Deputy Secretary General of BSEC PERMIS; Mr. Jan SENKYR, Resident Representative of KAS for Turkey; and Mr. Vladislav KOROCHKIN, Vice-President of OPORA ROSSIA, All-Russian Public Organization for SMEs.

2.1. Ambassador M. SUNGAR welcomed the participants to the Workshop and mentioned that many businesses perhaps would be puzzled if inquired about social responsible entrepreneurship. The EU Green Paper “Promoting a European Framework for Corporate Social Responsibility (CSR)” describes this term as a concept whereby companies integrate social and environmental concepts in their business operation on a voluntary basis. Social responsible entrepreneurship for SMEs also leads to the establishment of a mutual understanding and respect between the business communities and the civil society.

In the second part of his speech, Ambassador M. SUNGAR presented the latest developments on SMEs in BSEC, particularly within the BSEC Working Group on SMEs. He made special emphasis on the Black Sea Trade and Investment Promotion Programme (BSTIP) which is a new project contributed by Greece, Turkey, the United Nations Development Programme (UNDP) and BSEC.

The text of opening statement of Ambassador M. SUNGAR is attached as Annex I.

2.2. Mr. J. SENKYR welcomed the participants of the Workshop on behalf of KAS. He mentioned that this is the 37th SME-related event organized by BSEC PERMIS and KAS. The aim of the Workshop is strengthening a political dialogue between the Governments and non-governmental institutions dealing with SME promotion. Last year KAS sponsored a specific event analyzing the SME policies in each BSEC country and today the work done is available in a form of brochure. The current topic has specific interest for SMEs. On the one hand it is about how to run the business which positively enhances the society. On the other it is how to bring the social and environmental issue to business and how economic transformation could lead to sustainable development.

2.3. Mr. V. KOROCKIN welcomed the participants on behalf of the largest Russian non-governmental SME organization, namely OPORA ROSSIA which was established 5 years ago and represents more than 300,000 entrepreneurs in Russia. OPORA consists of 72 regional organizations. The issue of social responsible entrepreneurship was discussed many times. Small business has a different relation to this issue than the big ones. The Russian citizens consider a business as social responsible in case of:

- 34% fulfill obligations for Government;
- 27% produce quality products;
- 25% fulfill their obligations against their clients and partners;
- 21% provide good working places;
- 12% fulfill the request of the local citizens;
- 11% participate in implementation of national tasks.

There is a question whether we can consider any enterprise social responsible not participating in forming a new civil society. We are fully aware that business does not finish its activity just simply getting profit. We believe that main mission of the small business is the fight for creation of new jobs. Everywhere in the world SMEs create middle class in the society. The new President of the Russian Federation intends to develop the country in the way that 70% of people belong to the middle class. For the time being 70% of the Russian small business is retail business. There is a need to create new businesses in manufacturing, construction building industry and healthcare, innovation, education, etc. It is a task to increase small business in the healthcare from 1% of today to 5% by 2020. There is another big problem- lack of qualified workers. 50% of graduates from the Russian institutes of higher education intend to start their business. However, only 5% of the citizens show interest for small business. There is a need to increase awareness toward entrepreneurship. The first step has been taken as officially organizing the Day of Entrepreneurs on 26 May 2008.

3. The Workshop was co-chaired in rotation by Mr. J. SENKYR; Ambassador M. SUNGAR; and Dr. Antal SZABO, UN ret. Regional Adviser on Entrepreneurship and SMEs, Scientific Director of ERENET.

4. The Workshop was attended by the representatives of the following BSEC Member States:

Republic of Albania
Republic of Armenia
Republic of Azerbaijan
Republic of Bulgaria
Georgia
Hellenic Republic
Republic of Moldova
Romania
Russian Federation
Republic of Serbia
Republic of Turkey
Ukraine

The list of participants is attached as Annex II and the Program of the Workshop is attached as Annex III.

5. On the second day of the Workshop, Prof. Dr. Christine VOLKMANN, UNESCO Chairholder, UNESCO Chair for Entrepreneurship and Intercultural Management, University of Applied Sciences Gelsenkirchen, Computing Faculty, Germany; Dr. Antal SZABO, UN ret. Regional Adviser on Entrepreneurship and SMEs, Scientific Director of ERENET; Mr. Roman LUSHIN, Consultant, Department for Regulation of Entrepreneurial Activity, Competition of the Ministry of Economic Development and Trade of the Russian Federation; and Dr. Irina Y. NAOUMOVA, Associate Professor at State University-Higher School of Economics, Department of General and Strategic Management, EMBA Program, Moscow, Russia and Visiting Associate Professor, Department of Management, University of Tennessee, Knoxville addressed the Workshop as lead speakers.

5.1. Prof. Dr. C. VOLKMANN made a presentation on corporate governance and responsible entrepreneurship. She highlighted that a stable democracy, a society claiming to practice social justice and to promote chances of participation and self-realization are based on the active and responsible engagement of its members. Under corporate responsibility we understand entrepreneurial responsibility that means the degree of a sense of responsibility in an enterprise with effects of its business activities, in particular on i) society, ii) stakeholder, iii) environment, and iv) economy. Prof. Dr. C. VOLKMANN presented the findings of an explorative study on Medium-size Enterprises in Germany.

5.2. Dr. A. SZABO presented the EU policy on Corporate Social Responsibility (CSR) and responsible entrepreneurship as opportunity for SMEs. “CSR is a concept whereby companies integrate social and environmental concerns in the business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission Green Paper, 2001). While CSR was created primarily by and for larger companies, it is not a meaningful term for SMEs. This is why the term Responsible Entrepreneurship (RE) has been introduced.

Responsible Entrepreneurship means how to run a business in a way that enhances its positive contribution to society whilst minimizing negative impacts on people and the environment. Dr. A. SZABO presented the concept of the RE and its achievement.

Finally he highlighted the United Nations Global Compact and made recommendations on how to raise awareness for this topic.

5.3. Mr. R. LUSHIN mentioned in his presentation that in 2008 the Russian Government earmarked RUS 4 billion for support of SMEs. Priorities for SMEs include promotion of SME support infrastructure, especially business incubators, microfinance, regional programs for start-ups. There is a need to shift some of the SME support to innovative entrepreneurship and launching venture capital. CSR/RE is a rather new phenomenon for Russia.

5.4. Dr. I. NAOUMOVA drew the attention of the participants to the four pillars of the CSR including i) economic; ii) legal; iii) ethical; iv) discretionary/philanthropic. She highlighted the stakeholder approach in CSR and pointed out the differences between well-developed countries as well as countries in transition. For SMEs the strategic management approach is critical. She summarized the research on what is influencing the SME development in Russia based on CSR analysis. The University Follows International Research Consortium introduce the so-called “Competing Values Framework” based on four organizational culture types including clan, adhocracy, market and hierarchy culture types.

6. An exchange of experiences on social responsible entrepreneurship for the SMEs took place. The representatives of the BSEC Member States, except Georgia and Romania, made their presentations. Issues addressed included: i) Government policy, white paper or parliamentary position paper on corporate social responsibility and responsible entrepreneurship; ii) national, regional or sectoral programmes promoting corporate social responsibility and responsible entrepreneurship; iii) the role of NGOs and the civil society in the development of culture on responsible entrepreneurship; iv) national, regional or sectoral awaring process for responsible enterprises and entrepreneurs; v) why entrepreneurs are aware of the necessity for being social responsible businessmen/women; and vi) good practices and business examples on responsible entrepreneurship.

Question and answer session was held after each presentation.

7. On the third day of the Workshop, a presentation was made by Dr. Larissa KAPITSA, PhD in Economics, UNECE ret. Director, Associated Professor at the Department of World Economy, Moscow State Institute of International Relations, on “SMEs and Migrant Workers’ Right as Element of the Responsible Entrepreneurship”.

Final Discussions and Conclusions

8. The following points were made in conclusion:

- 8.1.** Corporate Social Responsibility (CSR) is a concept of integrating social, ethical and environmental concerns into business strategy and operations and interacting with their stakeholders (employees, clients, neighbors, public authorities, NGOs, the civil society, etc.) on a voluntary basis.
- 8.2.** Since CSR was created primarily by and for larger companies, it is not a meaningful term for SMEs. For this reason we prefer to use the term on Responsible Entrepreneurship (RE), which means how to operate a business in a way that enhances its active contribution to society whilst minimizing negative impacts on people and the environment.
- 8.3.** RE is essentially about maintaining economic success and achieving commercial advantage by building reputation and gaining trust of people that work with or live around the enterprises.
- 8.4.** RE is a way of adding values both to business and to society. It is not about more bureaucracy and burdens, but another way to run the business.
- 8.5.** In our global world and in the face of global competition, responsible entrepreneurial action in future will gain its importance within the context of economy, high quality of life, social inclusion and healthy environment.
- 8.6.** CSR/RE can play a significant role in contributing to sustainable development and enhancing innovative potential and competitiveness of the BSEC countries. This is why CSR/RE should increasingly become a subject of any enterprise strategy.
- 8.7.** CSR is a concern of the top enterprise management and must be practiced by entrepreneurs with good business management as a role model.
- 8.8.** There is no global recipe for the implementation of CSR/RE principles because every enterprise is different. CSR/RE has to be implemented individually in the management strategy.
- 8.9.** An explorative study indicates a positive reaction to an appraisal of the CSR concept in medium-sized enterprises in Germany. However, it is not widely communicated outside the enterprises.
- 8.10.** An explorative study indicates less correlation between CSR and positive business outputs in the Russian service-oriented SMEs. However, large corporations in Russia are using CSR as a promotion tool for implementation of their business strategies.
- 8.11.** Today in many CIS countries we eyewitness the creation of second generation of entrepreneurs and transition from the generation of forced SMEs towards a real entrepreneurial SMEs.
- 8.12.** There are promising government approaches in the field of raising awareness toward CSR/RE in selected BSEC countries, like the Republic of Bulgaria, the Hellenic Republic, the Republic of Serbia and the Republic of Turkey. However, in the majority of BSEC countries the concept of CSR/RE is still weak and in infant phase, especially for the SMEs.

Recommendations

9. The following recommendations were made:

9.1. The Participants of the Workshop wish to give greater political and social visibility to CSR, especially to RE. They acknowledged what BSEC enterprises had already done in this field and encouraged them to do more.

9.2. Governments should take leading roles in promoting the concept of CSR/RE. Balance the States' influence over the SME sector by reducing administrative pressure over them. Governments should increase their role in raising awareness and developing the informative, education and motivation functions.

9.3. CSR/RE issues should become a basic platform for global entrepreneurship and business culture. Governments should include these issues in their national strategies for SME development.

9.4. The BSEC Governments are encouraged to further promote voluntary, environmental and labor instruments, such as environmental management systems, ecolabel scheme, organizational health management and ethical trade.

9.5. The BSEC Governments are encouraged to assist SMEs to integrate social and environmental consideration in their business operations, especially those in the supply chain.

9.6. The BSEC Governments should create and promote national award scheme for large CSR oriented companies and small RE oriented SMEs.

9.7. The Participants of the Workshop asked the organizers to put all the presentations of the Workshop on the internet in order to share these practices among the BSEC Member States and other interested actors and organizations.

9.8. The Participants of the Workshop suggested developing a special website on best practices on global citizens responsibility as well as good experiences on CSR/RE practice in the BSEC region.

9.9. The Participants of the Workshop suggested KAS to collaborate with experts in the BSEC region in a common exploratory research on CSR/RE development for SMEs.

9.10. EOMMEX is requested to provide information material on the promotion tool of the Hellenic Network for CSR. The BSEC Governments are requested to elaborate national awareness raising materials and programmes to promote CSR/RE in their countries.

9.11. The large corporations and SMEs in the BSEC countries should follow the UN Global Compact and take voluntary actions to join to this initiative.

10. The Participants to the Workshop expressed their deep gratitude to KAS for its financial contribution to the Workshop and for the hospitality extended to them during the meeting in Moscow.

