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ERENET NETWORK
Small Business Development Centre, Corvinus University of Budapest
info@erenet.org
www.erenet.org

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WINTER MESSAGE OF THE SCIENTIFIC DIRECTOR

Dear Readers, Distinguished Friends,

It is a New Year with new dreams, plans, pledges about what we intend to do, where we will visit, what we shall avoid. One of my philosopher friends used to say “We need plans in order to assess the possibility to change and modify our strategy”. It may sound rather cynical but perhaps it can help us move forward effectively. I sincerely wish you all the very best, good health, happiness and fulfilment of all your desires and plans in the coming months.

At the start of the New Year, let us look back on the one that has just passed. From the European perspective it was less successful than envisaged. The adoption of an EU Constitution was thwarted by the French and Dutch in 2005, - as the Turkish saying goes: “The mountains were in labour/birth and the result a little mouse. “ This was in contrast to the motto promoted by the German presidency “Together Europe can succeed”. The Berlin Declaration, signed on the occasion of the 50th anniversary of the EU, was in fact, a rather dry document. That diplomatic piece of paper was inscribed by two Germans and one non-German, but not a single statesman was giving his initials. Clearly, Europe is still not really united in the sense of having a common constitution; a common profile. National emotions still figure more strongly than European solidarity. Words do not compensate for action and the understanding that we are all Europeans. Happily, the Schengen area of passport-free travel within the European mainland was extended on 21 December 2007. This area now includes the Central and Eastern European countries which joined the EU in 2004. CEE can be happy that after a half century of the unjust Treaty of Trianon and the discriminatory Beneš Decrees, minorities can find their way home to the motherland. Despite this advance, it is hard to understand nationalist local and regional governments, supported by central authorities who put No Entry tables for personal cars on the Austrian and Slovak frontiers. These prohibited Hungarian citizens from visiting their neighbours for example the Austrian village of Szentmargitbánya (St. Margarethen) and the Hungarian Fertőrákos as well as the Slovak, Tótújhely (Slovenské Nové Mesto) and Hungarian Sátoraljaújhely. What the local mayors and their narrow minded citizens were thinking beggars thought. Yet the old EU members sought to tighten controls on Europe’s new Eastern borders to prevent infiltration by criminal gangs, illegal immigrants even when their own drug dealers have long slipped across into CEE countries. And recently, thinking on the independence of Kosovo relates to EU members own self interest. The knee jerk reaction is,“If Kosovo becomes independent what about Basqueland, (?) Transylvania, Voyvodina or the separation of Flanders from Vallons?” Such issues will only be solved by of analysing the real problems and needs of the communities involved paving the way for freedom, democracy and self-determination.

Turning to the ERENET Network, we leave behind us a succesful year. We now have 65 Members from 27 countries including friends from the South-Caucasian countries and North-America so we are justified to call ourselves a Pan-European network. The ERENET PROFILE is growing in significance. We have knowledge, from overseas readers that they consider our periodical as a very helpful source of information on Entrepreneurship and SME development particularly in the CEE and BSEC region. 2007 was the first time we organized our Annual Meeting outside Budapest – at the University of Kosice in Slovakia. This further demonstrates our aim to be a transcontinental initiative. The Workshop on “Strategy for the Development of Entrepreneurship and SME Sector in the Black Sea Economic Cooperation region” held on 22-24 November 2007, in Istanbul crowned our activities for last year. The document prepared by our members will be issued in form of a booklet and will serve as a basic guideline for the 12 BSEC countries's Governments and the BSEC Working Group on SMEs.

2008 brings us new challenges and we look forward to cooperating will all ERENET members and non-members, including joining the Gobal Entrepreneurship Week during the week of 17-13 November all aroun the Word.

Dr. Szabó Antal
Scientific Director of ERENET
Emeric Solymossy  
Professor 
Western Illinois University - Quad Cities  
E-mail: E-Solyossy@wiu.edu

DIFFERENCES IN THE KNOWLEDGE NETWORKS OF SME FIRMS

Abstract

A survey of 141 small & medium sized enterprise (SME) principles reveals two distinctly different types of knowledge networks, based upon the principal's perception of whether or not networks provide a significant benefit to their firm. Significant differences exist in the type of information exchanged, the type of networks maintained, and how networking activities contribute to the competitive position and performance of the firm. Firms that see benefits to networking maintain intense and broad networks oriented towards potential knowledge. Assimilating this knowledge, they gain competitive advantage and maintain higher levels of performance. Those that do not see a benefit to networking activities maintain less intensive networks, exchanging experientially based information; information that is “tried and true,” and which can be adapted to incrementally improve their operations.

Introduction

We are in the Information Age. Economic environments are changing at an unprecedented rate. New and emerging technologies are altering products, methods of production, and ways of doing business. The current economic environment is a “knowledge based system,” wherein “knowledge is the most important resource,” (Bergeron, Lallisch and LeBas, 1998:733), and yet scarcity of resources is a problem for small businesses (Zacharakis, 1997; Gallant-Stokes, 1987). Networks have been argued as enabling small businesses to assemble scarce resources (Birley, 1985; Ostgaard & Birley, 1996) and enable their growth (Jarillo, 1989). Is beneficial knowledge a resource that small & medium size enterprises (SMEs) acquire through networks? If yes, what are the different types of knowledge-networks used by SMEs?

Networks: Social structures that facilitate the exchange of resources

Patterned relationships among people and firms create a social structure - a network - that can facilitate or constrain the actions of individuals, groups, and organizations (Aldrich & Zimmer, 1986). Networks enable small businesses to assemble scarce resources (Birley, 1985; Ostgaard & Birley, 1996), improve information acquisition (Peters & Brush, 1996), and facilitate their growth (Jarillo, 1989). Without external contacts, a small or medium size enterprise’s capabilities are limited to its own resources and abilities. As a result of network participation, small firms can successfully compete with large competitors while maintaining flexibility and innovativeness.

Pfeffer and Salancik’s resource dependency theory asserts that a relationship between firms is affected the importance of the resource (1978). Networks are the channel through which critical external resources can flow. An essential objective for resource poor small firms should be the building of network exchange relationships with others that potentially may either supply critical resources or serve as contacts for those that can (Larson, 1992). Access to, and the size of, a firm=s network enables growth (Johannisson, 1990). While a firm’s network development is influenced in part by the habits and social structure of the participants (Gulati, 1995), relationships between firms may be shaped and deliberately designed, especially to accelerate a firm's access to and ability to transfer knowledge (Lorenzoni & Liparini, 1999). Growing firms make more use of external resources (Jarillo, 1989; Zhao and Aram, 1995), have larger networks, and initiate more frequent contacts within their network.

1 A similar version of this article is in the Journal of Small Business Strategy, Volume 11:1, pp 14-25
Information alters or reinforces understanding, and becomes knowledge if it can be applied. Knowledge is a critical resource. The modern economy has been defined as a "knowledge-based system ... [wherein] knowledge is the most important resource .. and learning is the most important process" (Bergeron, Lallich and LeBas, 1998:733). Networks, by emphasizing the flow of information, facilitate the capture and diffusion of technical and organizational knowledge, which can be classified according to the type of information being exchanged: (1) the buyer-supplier linkage, (2) the technical problem-solving network, and (3) the informal community network (Carlsson, 1997).

The community network is informal and relatively stable, characterized by personal contacts among individuals within a variety of industries and occupations, and can be both extensive and loosely knit. The community network may be influenced by shared values and emotional attraction from personal rather than a purely business perspective (Johannisson, 1996).

The technical problem-solving network (which frequently overlaps the buyer-supplier linkage), is based on participants having a shared issue or problem of a technical or technological nature. As a problem-solving linkage, it is the transfer of knowledge, rather than the exchange of goods and services that is central. The buyer-supplier linkage, on the other hand, focuses on information that will enhance the flow of materials, hence the exchange of goods and services.

Networking activity promotes resource acquisition and is related to competitive information scanning activities. Research has investigated the networking behavior of small and medium size enterprises from both the venture formation and the growth/competitiveness perspectives. The business planning process prompts founders to analyze the resources necessary for business success and to compare these with resources already owned or within the firm’s control. This process prompts the founder to develop network contacts to identify missing resources, and to assist in the business person’s search for sources where they can acquire the additional resources necessary for successful venture formation (Larson & Starr, 1993). Beyond resource acquisition, Management is better able to define their competencies vis-à-vis competition by participation in networks (Provan and Human, 1999).

Research has studied networking structure and behavior in relationship to post-start-up performance measures (eg. sales, employment - Brunderl & Preisendorfer, 1998), however, results continue to be inconsistent (Ostgaard & Birley, 1996). Inconsistent results may be due to a focus on the networking process and structure rather than on the resources being exchanged. Most small and medium size enterprises do not participate in "structured" relationships such as alliances or research and development partnerships. As the firm evolves, resource needs change, thus network ties must also change (Hite and Hesterly, 1999). Second, and more importantly, focusing on the process and structure of networking fails to test the underlying assumption of network theory, specifically that networks provide resources perceived to have an economic benefit to participants. Lene Foss has previously argued that research should focus on the resources being exchanged in addition to the network contact information (1993). Prior research has not looked at the knowledge transfer role of networking for SMEs, and has not asked whether the firm’s network contacts provide this critical resources. This research probes this gap by assessing whether small & medium sized enterprise principals perceive a benefit to networking for the exchange of information and knowledge, and then analyzing their networking activities and its consequences.

Research methodology

The two principal questions motivated this research: (1) Do networks provide knowledge that benefits SMEs? and (2) If yes, what are the different types of knowledge-networks used by SMEs?

Specific questions and the composite scales for the performance, the firm and the environment have been compiled from previous research, are generally accepted in the field, and have been previously validated (Solymossy, 1998). Performance outcomes are assessed by changes in overall sales, changes in employment levels, the income of the firm’s principal, and the personal satisfaction of the principal. Firms are distinct in their competitive attitude, their strategic processes, their level of technology, and their network utilization.

² Brevity precludes a detailed discussion of the individual questions and the scales; however, the reader is directed to Solymossy, (1998), pages 46-49 for performance measures, pages 64-72 for firm specific characteristics, and pages 73-77 for environmental measures.
The environmental variables assess the competitive hostility, the dynamism (rate of change), the technological sophistication necessary to succeed, and the munificence (generosity) of the environment. Networking activity is measured by the average number of contacts per month, a simplified measure that has previously been used for identifying which resources can be tapped for key benefits (Hoang and Antoncic, 1999). Drawing upon Carlsson (1997), additional questions focused on the three types of knowledge: buyer-supplier, technical problem-solving, and community contacts, and further identifying the potential sources for this knowledge exchange. Prior research (e.g. Donckels and Lambrecht (1997) and discussions with other scholars and business persons suggested 7 categories of sources that might capture the scope of an SME’s potential network: Academic institutions, research agencies, business assistance agencies, external consultants, trade shows and industry associations, other businesses, and relatives and friends. In addition, open-ended questions were utilized to inquire as to perceptions of economic benefit and crucial external linkages for each of the three types of knowledge. Conceptually, these variables can be visualized as drawn in Figure 1.

A lengthy questionnaire was sent to 1250 northeastern Illinois “for-profit” businesses having fewer than 300 employees. Eighty-two (7%) were returned by the post office, 32 (3%) were returned by recipients

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3 The list was acquired from Dunn and Bradstreet, comprised of a random selection of firms within the areas of Bureau, Carroll, Henderson, Henry, Jo Daviess, Knox, Lee, Mercer, Ogle, Peoria, Rock Island, Stark, Stephenson, Whiteside counties
as being either not applicable or with refusals, and 141 completed responses were received, yielding an adjusted response rate of 12.5%. Given the complexity of the instrument, a low response rate was expected; and the responses were deemed to be sufficient for exploratory purposes. Respondents average 52 years of age, of which 83% were male, 17% female (Table 1). Ninety-six percent of the respondents are principals of the firm, either having founded the firm or owning 50% or more of the firm. The average age of the firms is 24 years, and they represent a broad cross-section of industries, with a notable preponderance in the service industry (professional services, consumer services, or guest services). There is a relatively high representation of businesses in agricultural industries, but this is to be expected given the nature of the geographic area studied. Educational levels are also broadly distributed, with 71% of respondents having had at least some college (27% have pursued post-graduate education) (See Table 1). Overall, respondents’ descriptive information is comparable to reports from other SME research (e.g. Lee, Rogoff and Puryear, 1998; Van Auken and Neeley, 1998).

### Findings

Seventy-Eight percent (78%) of the respondents indicate that network contacts provide knowledge of significant benefit to their business (for simplicity, this group will hereafter be referred to as the BEN group). Twenty-two percent (22%) indicated that they did not see significant benefit to their firm (this group will hereafter be referred to as the NOBEN group).

No significant differences exist between the two groups in the ownership position, age, gender, education, or income level of the respondent. Likewise, no significant difference exists in either business age or industry. There is, however, a significant difference continuing education, with a significantly larger portion of the NOBEN group reporting having completed supplementary, continuing education or training. While only permitting a tentative interpretation due to the small sample size of the NOBEN group compared with the BEN group), this suggests that the NOBEN group will pursue knowledge with specific focus and intent, often acquiring this through formalized educational or training programs. Table 2 is organized to show all of the measured variables, emphasizing those variables that demonstrate significant differences between the two groups.

Based upon the differing perspectives on the benefits of networking, it was anticipated there would be significant differences in the types of knowledge shared and the type of contacts being maintained. Furthermore, since knowledge is believed to be a critical resource, differences are expected to be manifested in the firm’s perceiving a competitive advantage because of their network usage. For simplicity and ease of interpretation, rather than displaying the full 21 cell matrix from the questionnaire (for types and sources of knowledge), the average number of information exchange contacts per month is collapsed to two summed scores.
Comparing profiles of BEN and NOBEN groups

<table>
<thead>
<tr>
<th></th>
<th>&quot;BEN&quot; Group (Significant Benefit)</th>
<th>&quot;NOBEN&quot; Group (No Significant Benefit)</th>
<th>Group Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MEA</td>
<td>MIN</td>
<td>MAX</td>
</tr>
<tr>
<td>Respondent Age</td>
<td>51.557</td>
<td>24.0</td>
<td>81.0</td>
</tr>
<tr>
<td>Gender</td>
<td>1.170</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Principal</td>
<td>1.042</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Education</td>
<td>3.388</td>
<td>1.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Continuing Educ.</td>
<td>1.198</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Income</td>
<td>2.844</td>
<td>1.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Business Age</td>
<td>23.787</td>
<td>2.0</td>
<td>87.0</td>
</tr>
</tbody>
</table>

The type of knowledge (Buyer/Supplier, Technical, Informal Community Relationships- sums the responses from all seven sources for that type of knowledge) (Table 3, below), while the source(s) (sums the three types of knowledge within each of the seven source categories).

**Differences in types of knowledge:** Based upon contact intensity and frequency for types of knowledge, significant differences exit in the knowledge areas of buyer - supplier and informal community information. However, a significant difference does not exist in the average number of contacts for technical /problem solving networks. In examining the three types of knowledge, the firm that perceives a significant benefit from networking is more intensive in its networking activities. These firms maintain an average of 6 contacts per month more than those firms that do not perceive a benefit (Buyer/Supplier = 3, Technical, problem solving = .6, Informal Community Information = 2.5) (See Table 3).

**Differences in sources of knowledge:** Contact frequency with the various sources of information also shows major differences between the two groups in six of the seven categories (all sources excepting for trade shows and industry associations). On average, the BEN group has 5.1 more contacts per month with friends and relatives, 2.7 more contacts per month with other businesses, and 1.2 more contacts with other consultants. Not a single NOBEN respondent indicated any contact with research institutes. Within the BEN group, there were up 3.33 contacts per month with research institutes. While an average difference of five contacts per month may not seem significant (five phones calls or personal visits may not be excessive), the magnitude of the differences are surprising. On average, the BEN group has 28.7 times as many contacts per month based on the three types of knowledge, and 18 times as many contacts per month with their sources of information and knowledge (see Table 3).

The question of whether an SME acquires economically valuable knowledge benefits from their networking activities is valid and meaningful.

**Differences in competitive advantage:** Respondents rated themselves (from 1 to 5) in each of eight areas potentially offering a competitive advantage (Porter, 1985), with 5 corresponding to a level of competence that would yield a competitive advantage. Three areas exhibit significant differences; two related to technology, the third with accessibility to the market. While there is no difference between the BEN and NOBEN groups in the domains of price, quality, breadth of product offerings, or differentiation (either by focus or by higher levels of service), the BEN group, on average believe themselves to have a superior competitive position because of access to the market. This may be because they are more actively involved in scanning activities, seeking information about the marketplace (note differences on the buyer / supplier knowledge). Because of this increased search, they are more confident in their evaluating themselves vis-à-vis the competition (Provan and Human, 1999). The NOBEN group, having less information and knowledge, may not be as able to compare themselves to the competition. (See Table 4)
Table 3

Comparing types and sources of knowledge

<table>
<thead>
<tr>
<th></th>
<th>&quot;BEN&quot; Group (Significant Benefit)</th>
<th>&quot;NOBEN&quot; Group (No Significant Benefit)</th>
<th>Group Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MEAN</td>
<td>MIN</td>
<td>MAX</td>
</tr>
<tr>
<td>Buyer/Supplier</td>
<td>3.059</td>
<td>0.0</td>
<td>43.7</td>
</tr>
<tr>
<td>Technical</td>
<td>1.434</td>
<td>0.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Informal</td>
<td>2.979</td>
<td>0.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Academic</td>
<td>0.333</td>
<td>0.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Research</td>
<td>0.241</td>
<td>0.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Bus. Agency</td>
<td>1.127</td>
<td>0.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Consultants</td>
<td>1.411</td>
<td>0.0</td>
<td>34.0</td>
</tr>
<tr>
<td>Shows/Assoc.</td>
<td>0.722</td>
<td>0.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Businesses</td>
<td>3.599</td>
<td>0.0</td>
<td>21.7</td>
</tr>
<tr>
<td>Friends/Relatives</td>
<td>5.785</td>
<td>0.0</td>
<td>200.0</td>
</tr>
</tbody>
</table>

Table 4

Differences in competitive advantage
(5 = area of high competence, 1 = area of no, or low competence)

<table>
<thead>
<tr>
<th></th>
<th>&quot;BEN&quot; Group (Significant Benefit)</th>
<th>&quot;NOBEN&quot; Group (No Significant Benefit)</th>
<th>Group Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MEAN</td>
<td>MIN</td>
<td>MAX</td>
</tr>
<tr>
<td>Distinct / unique market niche</td>
<td>3.223</td>
<td>0.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Access to market</td>
<td>3.274</td>
<td>0.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Unique technology of product</td>
<td>2.117</td>
<td>0.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Unique techn. in prod. process</td>
<td>2.102</td>
<td>0.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Lower price</td>
<td>2.559</td>
<td>0.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Significantly higher quality</td>
<td>3.820</td>
<td>0.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Broad product / service lines</td>
<td>3.112</td>
<td>0.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Higher levels of customer service</td>
<td>3.932</td>
<td>0.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

There are also significant differences between the two groups in technologically oriented competitive advantage (both product and process). While no significant difference exists between the two groups in the technical/problem solving type of knowledge, significant differences exist in their sources for acquiring information and knowledge. The BEN group, having more intense contact with research agencies, consultants and other businesses, position themselves to receive more information. While quantity does not necessarily equate to quality, a greater frequency of contacts with different sources permits information acquisition to be more comprehensive. This translates into allowing unique production/process technology. By virtue of being “unique” knowledge, these firms assimilate information from a variety of sources, innovatively combine using this information, and create unique knowledge which affords them a competitive advantage. Beyond the significant difference in their perception of competitive strengths in the two “technology” areas, it is noteworthy that no respondents within the NOBEN group scored themselves a “5”
in either of the technology areas. None felt themselves to have very strong competitive advantage in technology - in spite of 18% of the NOBEN group having advanced degrees (see Table 4).

**Differences in network patterns:** Numerous, pronounced differences have been discussed as being apparent between the groups that do, or do not, realize a significant benefit from their networking activities. There are even more pronounced differences in their network relationship patterns. To identify these patterns, correlation matrices were calculated showing the correspondence between the types of knowledge and the sources of knowledge. The strongest relationships (at greater than the 99.9% confidence level) were diagramed to identify the knowledge network patterns of each group (See Figure 2).

The knowledge network pattern for those who do not perceive a significant benefit from networking appears to be relatively constrained - relatively few, albeit fairly strong relationships, with very weak relationships between the types of knowledge. This suggests purposeful pursuit within a relatively structured set of knowledge networks. Keeping in mind that the separation of these two groups is based on their perception of benefit to the firm, it is helpful to analyze these differences based upon potential cognitive differences.

Research has shown that cognitive styles vary significantly among people. The KAI theory maintains that people differ on their approach to solving problems based on their cognitive type, with people being either adaptors or innovators (Kirton, 1976). Adapters tend to be conservative, exploring solutions within generally accepted guidelines and frameworks. Innovators, on the other hand, see existing guidelines and frameworks as part of the problem, frequently incorporating radical processes or ideas as part of their solution. From a strategic perspective, the adaptive style focuses on doing things better, comfortable with incremental improvement, while the innovative style develops the ability to do things differently, frequently employing radically new solutions (Kirton, 1980 as cited in Brigham and Reed, 1999). The network pattern of the NOBENs suggests a comfort level in using “tried and true” knowledge by seeking sources that support this. There is no contact with research agencies, and initial (not comparatively significant) contact with academics.

These sources, being on the leading edge of new knowledge, would introduce new and different information requiring processing by the firm. These firms, however, do not appear to pursue change. They cope with it. While both groups exhibit one knowledge network with a singular linkage (type and source link), they are in entirely different areas. The NOBEN group’s network with a single linkage is between buyer-supplier knowledge and other businesses. They rely on other businesses, acquiring knowledge that is new to them, but not new to others within their business community. This affords them parity, but not superiority. Multiple sources are indicated for both the problem solving and informal information networks. These sources also indicate a reliance on practical experience, whether from friends and relatives, other businesses, trade shows or industry consultants. Being more “adaptive,” the information and knowledge that is acquired through these networks supports the NOBEN group’s need for learning what is being or has been done by others that could be applied to their current situation.

The BEN group, on the other hand, exhibits a broader and more inclusive knowledge network pattern. For example, their technical problem solving network extends beyond other businesses to include academic institutions, research agencies and business assistance agencies. Likewise, the buyer-supplier network is broadened to include relatives and friends, affording the possibility of unexpected sources of valuable information.

It is noteworthy that the two groups differed dramatically in their preferred reaction to being competitively disadvantaged. The BEN group would not only try harder (exert more effort), they would increase their networking activities, perhaps to gain additional knowledge to offset their disadvantage. A disturbing number of the NOBEN group would have abandoned that particular area of competitive disadvantage. (See Figure 3)

**Performance consequences:** Perhaps the most meaningful (from a practical perspective) difference between the two groups is the significant relationships (at the 95% confidence level) between the knowledge networks and the performance measures exhibited by the BEN group. Those firms that perceive a benefit to their networks apply the information they acquire to generate new knowledge, subsequently converting this knowledge into a competitive advantage, which results in measurable, positive results to the firm.
A MANOVA analysis was conducted to investigate how knowledge networking activity affects the performance of the firm. This testing categorized firms by economic performance levels, and then sought to determine what differentiated the high performance firm from those that didn’t perform as well. Sales growth of the firm is positively affected by contact frequency for exchanging technical knowledge and by the
frequency of contact with consultants and friends and relatives. Both the SME principal's income and a composite measure of economic success (combining income, sales growth and employment growth) show statistically significant effects from networking activities (with 95% confidence). Contact with consultants corresponds to additional income for the SME principal (supporting the indications evidenced for sales growth). Increased economic success corresponds to increases in contact frequency in technical knowledge (as a type of knowledge) and with academic institutions and trade shows / industry associations as sources (see Table 5). This offers additional supports to earlier indications that firms which acquire and convert knowledge into a competitive advantage demonstrate improved economic results.

### Table 5

<table>
<thead>
<tr>
<th>Effect</th>
<th>Variable</th>
<th>F</th>
<th>Sig. of F</th>
<th>Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Growth</td>
<td>KTECHN (type)</td>
<td>3.525</td>
<td>0.011</td>
<td>0.911</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>KCONSULT (source)</td>
<td>2.252</td>
<td>0.072</td>
<td>0.749</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>KFRIEND (source)</td>
<td>3.981</td>
<td>0.006</td>
<td>0.940</td>
</tr>
<tr>
<td>Principal's Income</td>
<td>KCONSULT (source)</td>
<td>4.622</td>
<td>0.012</td>
<td>0.854</td>
</tr>
<tr>
<td>Economic success</td>
<td>KTECHN (type)</td>
<td>2.785</td>
<td>0.031</td>
<td>0.837</td>
</tr>
<tr>
<td>Economic success</td>
<td>KSACAD (source)</td>
<td>2.004</td>
<td>0.101</td>
<td>0.702</td>
</tr>
<tr>
<td>Economic success</td>
<td>KSHOWS (source)</td>
<td>2.033</td>
<td>0.097</td>
<td>0.709</td>
</tr>
</tbody>
</table>

### Conclusion and implications

This research finds that not all SME principals see networks as providing knowledge which benefits their firm, and as a result, network composition and intensity differs. Those firms not perceiving a benefit maintain less intensive networks, focus more on experiential information, and seek information about what is or has been. The knowledge acquired is adapted to the SME's particular situation, and used to improve operations. The benefits from networking are not, however, maximized, and consequently, networking's value is not recognized by the SME.

Those perceiving benefits from their networks maintain more intensive, wide-ranging and overlapping networks. While they also gather information from others regarding what is being done, this group actively maintains contacts with forward-looking expertise. This emerging knowledge base is most pronounced in technological and problem solving networks, supplementing experientially based information, and appears to focus on potential. The data suggests that firms who value networks are proactive in maintaining them, appear to convert information into new knowledge, and as a result, gain competitive advantage that is subsequently reflected in the performance of the firm.

These findings have potentially significant implications for both businesses and providers of services and support to SMEs. For the business practitioner, the findings are relatively clear: It doesn't matter whether you perceive benefits from networking or not, there are measurable benefits to networking provided the firm is disposed to capitalize on the information/knowledge capacity of networks. Institutions, agencies and policy makers must likewise realize that there are two different types of knowledge required by SME firms, and programs cannot ‘be-all, to-all.”

While these findings are statistically significant and meaningful, they must be used with some caution. This study explores new veins of inquiry with a moderate sample size. The indications provided by this research are meaningful since the study is focused specifically on a single class of resource exchange within networks, and has sought to not only clarify the nature of information and knowledge as a resource but to assess its value from both a perceptual and an outcome perspective. Future research could explore these relationships further; expanding upon the basic framework presented, and would be more suitable to rigorous statistical analysis, allowing improved generalizability.
References


Dr. Antal Szabó  
UN ret. Regional Adviser  
Scientific Director of EREN</p>
Credit Bank contributed 12%, the Hungarian Saving Bank 8%, and the rest other institutions. MVA was nominated as the Programme Management Unit for PHARE financial support for the SME sector, but it coordinated other bilateral donor programmes as well. PHARE financial resources supported by 19 Local Enterprise Agencies (LEAs) established in each county, plus the Budapest LEA.

To overcome the shortage in financing SMEs, in 1992 the PHARE Micro-Credit Scheme (MCS) was established under FM HU 9006. Total PHARE input amounted at MECU 15.4 between 1992 and 1997. The aims of the MCS included:

- To provide a source of start-up and growth finance for micro enterprises;
- To begin to develop the market for SME credit which the commercial banks would be able to service;
- To develop a raft of credit-worthy SME clients with favorable credit repayment record suitable for obtaining larger sums of credit from the commercial banking system.

The MCS offered loans over a three-years period with a six month grace period. Repayment of the loan was to be over 30 monthly installments. MCS was administered by closest to the applicant LEA, which received a funding tranche from the MVA center. LEAs imposed an administrative charge on MCS equivalent to 3% of the approved credit, and 10% of the interest paid by the recipient. In addition, a local commercial bank, usually savings bank, facilitated the disbursements and repayments, which charged a fee of around 5% of the capital value of the loan.

The maximum microcredit started with HUF 1 million (approx. ECU 5,000). After successful implementation of the MCS pilot phase the MCS II Program raised the upper loan limit to HUF 3 million (about ECU 15,000). The loan could be used to purchase machinery, equipment and other fixed assets. No more than 30% of the loan can be used to finance current assets.

By mid 1997 almost 8,000 such micro loans had been disbursed for a total of HUF 4.7 billion (US$2.25m - average loan size US$ 2,810). These amounts indicate a larger size of micro credit than is usual in most microfinance programmes in other countries but this is partly explained by the higher limit of the definition of such businesses in Hungary.

The achievements of the first MCS was very good. The PHARE evaluation team agreed with this statement. The funds allocated to clients were very quickly and efficiently through the financial intermediaries. Default rates on the MSC was very low and one the Director of one of the Hungarian Savings Banks was surprised “how these amateurs compared to banking experts approved application with significantly lower failure rate, as we, the professionals”. However, by 1997, there has been a major problem in the shape of very high percentage of unutilized fund as a percentage of outstanding loans. MCS reached very serious problems in trying to reach the sustainability: one hand the falling interest rate left no room to cover default, while the high inflation has eaten away the real value of the capital on MCS.

In mid 1990s, the Hungarian MCS was an advance promising financial support mechanism. According to a study prepared for the UNECE by the Bannock Consulting Co, the Hungarian microcredit scheme considered as the best one in CEE. This is why it was highly appreciated that on 10-13 September 1997, MVA jointly with the UNECE organized a Training Course on microcredit facilities, loan appraisal and small business financial counselling. 46 SME financial experts, government officials and representatives of international organizations from ten countries, including the EU Delegation in Hungary. This training was organized within the framework of the Southeast European Cooperative Initiative – SECI.

In June 1999, the Government established a State Microcredit Committee (in Hungarian: Országos Mikrohitel Bizottság - OMB). The Government delegated the task to this Committee to review the mechanism of the microcredit programme. In accordance with the new Government strategy, At the end of 1999, the

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7 Alan Doran, Matthew Gamser and Jacob Levitsky: Background paper on financial policies and programmes for strengthening SMEs, through micro-credit, credit guarantee schemes and other intermediaries.”

In accordance with the new eligibility criteria the upper limit of the sales of return decreased until HUF 100 million. The primary aim of the credit was financing purchase of machinery and infrastructure development. However, the programme allowed financing current assets as well up to 50% of the loan. The upper limit of the credit amounted at EURO 12,000, while in case of financing current assets only EURO 6,000. It is a significant tightening up measure, that the applicant had to contribute by 20% of own capital as well. The earlier scheme requested 10% of own capital only. The credit might be disbursed only in case of 100% guarantee/collateral only.

At the end of 1990s and beginning of 2000s the operation of the MVA was inambiguous and controversial. The operation was shadowed by both inefficiency as well as suspicion of corruption. During this period the MVA President committed inexplicable suicide and the Managing Director left the service.

Between 1992 and end of 2002, 21,186 entrepreneurs received microcredit in total HUF 27.7 billion. This number is very modest as compared the large number of SMEs in Hungary, however, for these companies that was of great importance to start with their operation and get possibility catching up.  

CONSORTIUM OF HUNGARIAN ENTERPRISE PROMOTION NETWORK

Following the recommendations of the Delegation of the European Union in Hungary, in 1999 a Consortium Agreement was signed by all LEAs in April 2000. The form of consortium was reinforced also by international experiences by DFC Group. The Consortium was established by 20 LEAs, in each county as well as in the capital. The Consortium has over 100 offices in country-wide. The aim of this initiative is to serve the SME development. In order to strengthen the synergic effect, on 18 December 2002, the Hungarian Enterprise Promotion Network signed a basic contract with the Ministry of Economy and Transport and its new governmental programme centre Hungarian Enterprise Development Public Company - MVf Kht.  

ESTABLISHMENT OF MULTI-SATE SME FINANCING SCHEME - Activities during the Orbán Government

In 2000, the Ministry of Economy, the EU Delegation in Hungary and the MVA signed a contract aiming at creation of a revolving State Microcredit Fund administrated by the MVA. According to this contract the only owner of this resource is the Hungarian Government and the MVA will operate it. Those resources, which prior May 2000 owned by the LEAs remains further in their hands, but funds established after May 2000 should be transferred to MAV. In this programme the former independent county LEAs served as business dealer again certain fee, while commercial banks technically allocated the loans. The Government created a very inefficient and bureaucratic system. LEAs were reluctant to transfer their resources to the Centre, while they entered the resources received through PHARE or Governmental sources as fund wealth and the Hungarian Tax Authority - APEH – requested a self-revision back to several years. Those LEAs which were not able to do it, received high amount of penalty leading near to their bankruptcy.

The conditions of microcrediting were modified during the autumn 2001 and spring 2002. The upper limit of the loan was increased to HUF 6 million and the repayment time increase from 3 to 5 years. The eligibility criteria for micro loan was expanded for SMEs upto HUF 200 million of net sales return (the earlier limit was HUF 100 million only). Limits concerning financing of current assets were demolished, so the total amount could be use for financing current assets (earlier only half of the loan could be use for this purpose). In consequence of these changes the demand for microcredit increased beyond the bounds.

Therefore, on 27 August 2002, receiving the microcredit loan application was suspended. In 2002, 4,343 loan disbursements were lent in a sum of HUF 9.39 billion. The Government Decree 1213/2002 (XII.23) on Széchenyi Enterprise Development Programme decided to build the microcredit scheme on...
resources of commercial banks and saving cooperatives in that manner, which could safeguard its sustainability.

In July 2003, the Government decided to change the conditions of the microcredit scheme. In accordance with the Government Decree 1065/2003 (VII.15) a four-stage lending system was developed. From October 2003, all stages of this scheme (micro loan, Széchenyi card, midi loan and Euro loan) were operated. The elements of four-stage SME financing programme include the following:

**Stage 1: Micro Credit**
As part of the Micro Credit Program, initiated in the early 1990s thanks to grants from the PHARE Program, a financing package of up to HUF 3 million (approximately EUR 11,600) is available to micro enterprises, which are not capable of accessing funds on the financial market, either due to their business history or the size of the project.

**Stage 2: Széchenyi Card**
The Széchenyi Card Program, aimed at improving the working capital financing of small and medium-sized enterprises. In July 2003, the size of the credit line available was adjusted to fit the various business requirements; i.e. cards up to the value of HUF 2, 3, 4, and 5 million were issued. As part of this scheme, an enterprise may have access to funds of up to nearly EUR 20,000. The rate of interest subsidy is 5% for maximum HUF 1 million, while for cards offering higher credit lines it is 3.5%. From 2004, the subsidy was uniformed equal to 3%.

**Stage 3: Medium-Size Loan (Midi-Loan)**
This product provides micro- and small enterprises with long-term development loans of up to HUF 10 million (EUR 38,500). In order to make these medium-size loans offered by financial institutions more accessible to enterprises, the Ministry of Economy and Transport provides an interest subsidy of 4%.

**Stage 4: Europe Loan**
The Hungarian Development Bank and its partner banks offer SMEs a loan facility with favourable interest rates in the amount of up to HUF 80 billion (over EUR 300 million). The loan facility comes with an interest rate guarantee, with the maximum rate fixed at 6.5%. The scheme offers enterprises loans of between HUF 10-500 million (i.e. up to nearly EUR 2 million) to support the implementation of their development concepts.

In accordance with the Government Decree 1065/2003 (VII.15) the eligibility criteria was set as the following:
- Maximum amount of credit HUF 3 million (instead of HUF 6 million);
- Financing of current assets: only up to 20% of the loan (instead of earlier 100%);
- Term of credit: maximum 3 years (instead of 5 years);
- Interest: It is variable during the repayment period in accordance with the base rate of the central bank (instead of fixed interest rate valid at the time of concluding the loan contract).

**MICROCREDITING FROM AUTUMN 2003 – during the Medgyessy and Gyurcsány Governments**

In autumn 2003, the National Microcredit Committee suggested to review the microcredit’s conditions. On October 2003, the State Microcredit Committee with its 11/2003. (X.16.) OMB decision obliged the MVA and the LEAs to elaborate suggestions to modify the procedure of the microcredit scheme.

In January 2004, the Consortium of Hungarian Enterprises Promotion Network made a proposal to the Government on modernisation of the microcredit scheme based on the following principles:

(i) microfinance is a non-commercial banking operation;
(ii) operation should be decentralized; and
(iii) there is a need to establish a unified recording and monitoring system.

At the end of January 2004, MVA invited the Hungarian Association of Craftmen’s Corporation (IPOSZ) and the Confederation Representing the Interest of Tradesmen and Catering (KISOSZ) to discuss the new modalities of microcredit operation. They agreed on the following:

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• To increase the upperlimit of the applicable credit to HUF 5-6 million instead of the existing HUF 3 million;
• To set the repayment period to maximum 3 years in case of a credit upto HUF 3 million and 5 years in case of HUF 5-6 million;
• The current assets in connection with investment should be financed upto 30% of the credit instead of the existing 20%.

According to the Governıent Decision in April 2004, the Hungarian Development Bank was nominated as administrator and trustee of the microcredit fund.

In consequence of the modified new microcredit construction the demand for microcredit significantly increased. According to the MVA Press Release on 6 June 2005, within a few months the Foundation received HUF 900 million credit application and out of this HUF 500 million was disbursed.\(^\text{15}\)

According to current practice in 2007\(^\text{16}\) the targets of a microcredit are

• financing purchase of machinery, equipment and other appliances needed for an investment;
• enlarging of existing owned property or hired infrastructure; and
• financing of current assets in connection with the investment.

The upper limit of the microcredit is HUF 6.35 million (around EURO 25,000). Repayment period is maximum 8 years, in case of current assets financing – 3 years. The application obliged to have own resources minimum 20%. Advanced financing is possible upto 50% of the credit. Grace period to start with repayment is 6 months. Interest follows the basic principles of the central bank. At time being it is 8%. Interest should be paid in every month.

MVA elaborated a Guide on Business Plan. Applicants should prepared their business plan in accordance with this guide.\(^\text{17}\)

Microcredit Plusz

At the end of 2005, the Hungarian Development Bank elaborated a special microcredit scheme called Microcredit Plusz, which directly provides microcredit to microentrepreneurs. The loan is available through selected LEAs, which act as agent of the Development Bank and are involved in pre-selection and screening of the activities of these enterprises. The loan is guaranteed upto 80% by a partially state-owned guarantee company Hitelgarancia Zrt. In Micro Plusz companies could get credit upto HUF 15 million (EURO 60,000) for their investment. Until March 2007, 241 microenterprises received EURO 9.3 million.\(^\text{18}\)

FUTURE ACTION THROUGH JEREMIE PROGRAM

Danuta Hübner, Member of the European Commission responsible for Regional Policy, outlined the Microcredit strategy for Europe at the EUROFI Conference on Retail Financial Services held on 7 June 2006 at the European Parliament in Brussels.\(^\text{19}\) She emphasised, that “first, micro-credit is exactly the kind of instrument we are looking for in Europe to promote growth, jobs, and innovation while reinforcing social cohesion. And secondly, I believe we do need a strategy to fully exploit the potential of micro-credit in Europe – to consolidate and build on what we are already doing, including at EU level.” It is pity that this message did not reach to Current Hungarian Government and Members of the Parliament.

Danuta Hübner has been launched a new credit facility, called Joint European Resources for Micro to Medium Enterprises, known by the acronym JEREMIE (Joint European REsources for MIcro-to-Medium Enterprises), will enable European Member States and Regions to use part of their structural funds to obtain a set of financial instruments that are specifically designed to support micro and small and medium enterprises. The European Commission's Communication, "Cohesion Policy in support of growth and jobs, Community strategic guidelines 2007-2013", stresses the importance of improving access to finance

\(^{15}\) http://www.mva.hu/informaciok/sajto/i_sk_050415.php
\(^{16}\) http://www.mva.hu/programok/mihi/mihi_info.php
\(^{17}\) http://www.mva.hu/programok/mihi/mh_doc.pdf
\(^{19}\) European Commission Press Release SPEACH/06/349 as of 7.06.2006.
for the development of SMEs. In particular, it emphasises the need to enhance support on competitive terms for start-ups and micro-enterprises, through technical assistance, grants, as well as non-grant instruments such as loans, equity, venture capital and guarantees.  

JEREMIE provides HUF 175 bn (approximately EURO 0.7 bn) for financing SMEs, out of them HUF 55 million for microcrediting. In spite of the protest of the Hungarian Enterprise Promotion Network as well as the MVA and the other national institutions representing the interest of the entrepreneurs, the Government through the Hungarian Investment and Development Bank created a new “monster” Hungarian Enterprise Financing Exclusive Shareholding Company with HUF 1 bn (around EURO 4 million) capital. This new entity will act as a holding and the entrepreneurs respectively the SMEs could access to financial resources only through financial intermediaries. The last ones should compete to participate in this programme. Only those financial intermediaries might be eligible, who offer own resources as well. The new microcredit programme probably starting autumn 2007 envisages the upper limit of the microcredit HUF 6 million (around EURO 24,000) with repayment period of 5 years. Applicant should provide own resources up to 20% of the credit. 30% of the received credit can be used for financing the current assets. The established interest rate is 10.5% plus HUF 50,000 (EURO 200) administrative charges for each application.

The new scheme is still in bad shape and the current Government Development Programme for 2007-2013 raises several question marks. This concept does not aim at decrease of unemployment and putting the entrepreneurs in favourable condition. It rather prefers to provide with benefit to financial considerations. It is very bad, because an entrepreneur taking risks should be not considered as just a factor in an economic equilibrium of the government budget.

CONCLUSION

The microcredit practice exists in Hungary since 1992, meanwhile the financing mechanism suffered several changes. These changes reflect the confused and sometimes unadvised attitude of 5 outgoing Governments plus the current one. During 15 years 25,400 microentrepreneurs received microcredit in amount of HUF 42.6 billion (around to EURO 185 million). This amount is very modest as compared to the 850,000 SMEs. This amount is even worth if we consider that 80 % of the Hungarian SMEs are operating without any credit, while 20 % the SMEs in advanced economies.

In Hungary, 2.7 millions are living below the poverty line. It is sad that yearly 100 people become frozen and the number of homeless exceeds 100 thousand too. Nearly a half million of the population is undernourished including 300 thousand children. At the end of 2006, the number of unemployed amounted at 312 thousand and the unemployment rate is 7.5%, in absolute terms 16,000 more than a year ago.

In this field micro and small enterprises could play a significant role, because they produce products and provide services on spot, by doing so, they create jobs, pay taxes; those generate growth where in full or part-time. The microcrediting in accordance with the EU policy line might be a good tool to solve particularly the poverty and to bring back the entrepreneurial unemployment to the labour market. However, at time being the majority of the micro and small enterprises could not be applicable by financial institutions in spite of using every effort. Government policy-makers and the financial elite does not understand the importance of fighting against poverty and social inclusion by creating jobs and self-employment by properly use of microcredit facilities.

While microcrediting through non-commercial financial intermediaries was introduced in over 100 countries – recently also in Austria -, the Hungarian financial elite believes that microcrediting according to the pattern by Muhammad Yunus has no raison d’être in Hungary. It is a great mistake. If we integrate 100 thousand unemployed people back to the labour market and these starting to pay social insurance, than they also contribute to the economic growth taking the social weight off the shoulder of the Government. And the main important thing is that these people could leave again in human circumstances.

20 http://www.eif.org/jeremie/
23 Dr. Antal Szabó: Microcrediting in the World. Presentation at The International Conference on Better Regulation and Microfinancing of SMEs held on 26 January 2007 organized by the EPP in Budapest.
The presented study is a summary of the research conducted by the Komputer w Firmie Association (SME IT Association and Vortal) small research team since September 2003. The research is directed at company owners, directors or persons responsible for its IT infrastructure in Polish small and medium-sized companies in order to monitor the degree of the use of information technology in small and medium-sized Polish companies (SME).

The second part of the report on the study summarizes main results of the annual research of company resources.

From the beginning of the study in 2003 we have observed a rise in the number of computers at the companies in our sample (a certain shift occurred in 2004 when the proportion of the companies with more than 20 computers decreased). However, since November 2005 more than half of the surveyed companies have had more than 20 computers: in November 2005 the figure was 54.4%, while in 2006 it rose to 61.15% of the surveyed companies. In the case of medium-sized firms, the proportion of the companies with more than 20 computers is currently almost 85% (Table 2.1).

**Table 2.1.**

<table>
<thead>
<tr>
<th>Period</th>
<th>up to 5 computers</th>
<th>6 to 20 computers</th>
<th>over 20 computers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>35,3</td>
<td>40,9</td>
<td>23,8</td>
</tr>
<tr>
<td>2004</td>
<td>39,0</td>
<td>43,7</td>
<td>17,3</td>
</tr>
<tr>
<td>2005</td>
<td>21,0</td>
<td>24,6</td>
<td>54,4</td>
</tr>
<tr>
<td>2006</td>
<td>10,0</td>
<td>28,9</td>
<td>61,1</td>
</tr>
<tr>
<td>In 2006 by size</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>small companies</td>
<td>20,4</td>
<td>48,7</td>
<td>31,0</td>
</tr>
<tr>
<td>medium-sized companies</td>
<td>2,0</td>
<td>13,6</td>
<td>84,4</td>
</tr>
</tbody>
</table>

Local networks

The total of answers regarding the networking exceeds 100%, as the respondents had the option of choosing more than one answer. Questions concerning the type of system and of the computer on which the system is installed, or the function it serves were not asked. Over 96% of companies, including nearly all surveyed medium-sized companies, are networked. The number of companies using wireless networks has risen to over 18%. Every fifth medium-sized company uses this solution.
Table 2.2.

<table>
<thead>
<tr>
<th>Networks at companies</th>
<th>LAN network %</th>
<th>WiFi network %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>96.2</td>
<td>18.5</td>
</tr>
<tr>
<td>small companies</td>
<td>92.9</td>
<td>17.3</td>
</tr>
<tr>
<td>medium-sized companies</td>
<td>98.6</td>
<td>19.4</td>
</tr>
</tbody>
</table>

Access to the Internet

For the purposes of the study all fixed connections with a bandwidth from 128 kb/s upwards is considered broadband. The study shows a constant gain in the proportion of the companies accessing the Internet through broadband connections (understood as described above).

Table 2.3.

<table>
<thead>
<tr>
<th>Type of access</th>
<th>Dial-up %</th>
<th>Narrowband %</th>
<th>Broadband %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5.0</td>
<td>7.5</td>
<td>90.7</td>
</tr>
<tr>
<td>small companies</td>
<td>2.7</td>
<td>21.7</td>
<td>87.2</td>
</tr>
<tr>
<td>medium-sized companies</td>
<td>6.8</td>
<td>5.5</td>
<td>93.6</td>
</tr>
</tbody>
</table>

*) As the same companies use both fixed and dial-up connections, the sum of access percentages exceeds 100%.

Thus broadband connections are used by nearly 91% of all surveyed companies, including over 93% of medium-sized companies (Table 7.). One can conclude that the companies’ access to the Internet constitutes a good foundation for the adoption of broadband services such as e–learning, ASP applications, multimedia and VoIP/IP.

IT infrastructure security

On the basis of data gathered over the past 4 years, it has become evident that awareness of the necessity of employing techniques and policies that ensure safe use of computers in the company (Table 2.4.) has increased significantly - despite the fact, that November 2006 saw a fall in the use of hardware firewalls (by 17 percentage points in small companies, by 1.5 percentage points in total). It seems to be a lack of awareness of the actual presence of these devices in the companies (as they are integrated inside the already owned routers), rather than an actual fall in the use of these firewalls in small companies. This trend is accompanied by a growth by several points in the popularity of software protections.

A similar decline in the use of automatic installation of patches and updates was noted as well. This does not necessarily need to be attributed to the lack of interest in this issue. To a certain extent this could be caused by the lack of awareness that the updates install automatically – this applies especially to small companies without dedicated IT departments or IT experts.

Personal productivity software and applications

No one is surprised by the dominance of the Microsoft Office suite in the category of office software (Table 2.5.). However, between 2003 and 2004, the OpenSource suites (especially OpenOffice) made a huge leap and established themselves on the market at a relatively high level of 47%. A high percentage of the “other” response in 2005 was probably caused by the fact that the respondents could choose no other answer in the case where not an entire MS Office package was installed, but only certain portions of it, for example MS Word – quite a common occurrence in office applications.
### IT Security

<table>
<thead>
<tr>
<th>Type of protection</th>
<th>Antivirus software</th>
<th>Software firewall</th>
<th>Hardware firewall</th>
<th>Instructions for employees</th>
<th>Automatic patches and updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>93,7</td>
<td>63,3</td>
<td>52,1</td>
<td>37,9</td>
<td>64,0</td>
</tr>
<tr>
<td>small companies</td>
<td>94,3</td>
<td>64,2</td>
<td>42,5</td>
<td>32,3</td>
<td>58,4</td>
</tr>
<tr>
<td>medium-sized companies</td>
<td>93,2</td>
<td>62,6</td>
<td>59,5</td>
<td>42,2</td>
<td>68,4</td>
</tr>
</tbody>
</table>

*) more than one answer could be chosen

### Office suites

<table>
<thead>
<tr>
<th>Office suites</th>
<th>MS Office</th>
<th>OpenOffice/StarOffice</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total*</td>
<td>89,4</td>
<td>47,5</td>
<td>4,8</td>
</tr>
<tr>
<td>small companies</td>
<td>85,8</td>
<td>44,7</td>
<td>5,3</td>
</tr>
<tr>
<td>medium-sized companies</td>
<td>92,2</td>
<td>49,7</td>
<td>4,4</td>
</tr>
</tbody>
</table>

*) more than one answer could be chosen

In the application software category (Table 2.6.) it is striking that the utilization of groupware software is still low and remains almost unchanged – even for the MS Outlook. Among medium-sized companies one can notice the movement away from financial and accounting software towards ERP systems which gained a lot of market share in 2005 (from 25% to over 40% of medium companies and from 17% to 42% of manufacturing companies). Slower dynamics of the ERP systems in 2006 over 2005 may indicate that the popularity of such applications among the surveyed companies is reaching saturation point. On the other hand, ERP systems are much less used by service companies (only 13%), which are generally characterized by less intensive utilization of application software. Sales support software have been gaining share significantly, especially if we add the growing number of CRM installation to this category (they are already used by over 17% of small companies, where even a plug-in to MS Outlook, such as the Contact Manager, may serve as the CRM system).

### Application software in companies

<table>
<thead>
<tr>
<th>Applications</th>
<th>Finance</th>
<th>human resources</th>
<th>Sales</th>
<th>CRM</th>
<th>Mail</th>
<th>Groupware</th>
<th>ERP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>89,2</td>
<td>78,3</td>
<td>71,4</td>
<td>21,2</td>
<td>65,6</td>
<td>16,4</td>
<td>30,0</td>
</tr>
<tr>
<td>small companies</td>
<td>83,6</td>
<td>61,1</td>
<td>62,4</td>
<td>17,3</td>
<td>62,8</td>
<td>10,2</td>
<td>12,8</td>
</tr>
<tr>
<td>medium-sized companies</td>
<td>93,5</td>
<td>91,5</td>
<td>78,2</td>
<td>24,2</td>
<td>67,7</td>
<td>21,1</td>
<td>43,2</td>
</tr>
</tbody>
</table>

*) more than one answer could be chosen

### Electronic banking

The extent to which companies use electronic banking was chosen as an important measure of their use of electronic communications as tools aiding their economic activity. Even though the economy is still far from being digital, the popularity of electronic banking is increasing, especially among medium companies (Table 2.7.). As it was possible to choose more than one answer, the gathered data prove that medium-sized companies utilize various forms of remote access to all of their bank accounts – both on-line (Internet) and off-line (dedicated access software – home-banking/PC-banking). Legacy client software for home-
banking/PC-banking is still commonly used at medium-sized companies, where it is usually connected more or less directly with the financial and accounting systems.

The best proof of the growing popularity of electronic banking is a significant drop of percentage of companies which do not use such ways of accessing their accounts. In total, the percentage of such companies dropped to 7%, even though in the small companies category the percentage increased slightly (by less than 2%, to over 12%).

Table 2.7.

<table>
<thead>
<tr>
<th>Type used</th>
<th>Internet %</th>
<th>Phone %</th>
<th>Home banking %</th>
<th>Does not use %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>72,3</td>
<td>12,1</td>
<td>36,7</td>
<td>7,3</td>
</tr>
<tr>
<td>small companies</td>
<td>72,6</td>
<td>12,4</td>
<td>19,9</td>
<td>12,4</td>
</tr>
<tr>
<td>medium-sized companies</td>
<td>72,1</td>
<td>11,9</td>
<td>49,7</td>
<td>3,7</td>
</tr>
</tbody>
</table>

eServices

The growing popularity of electronic banking is accompanied by an increasing need for other electronic services, especially e-government services (Table 2.8.). Since for most of the companies participating in the research the use of the dedicated access system for submitting monthly ZUS (obligatory social insurance system) declarations electronically is obligatory, it is understandable that the majority of them (currently over 64% of all respondents) declare that they would like to have an e-service for tax declarations, which are submitted almost as frequently and are almost as time-consuming as social insurance declarations. It seems that this need has been stimulated by the hope of prompt introduction of the already announced e-taxes. Electronic invoices are also high on the wish list (even though they were formally introduced), which can probably be explained by unnecessarily high requirements for e-invoices (the requirement to use complicated and costly EDI solutions or a qualified electronic signature).

In the group of small companies, of which 12% do not use electronic banking, the strong response indicating a need for remote banking is surprising (45% for small companies, close to 40% in total), signaling an inconsistency of attitudes of the companies from this group towards electronic banking.

Table 2.8.

<table>
<thead>
<tr>
<th>Demand for e-services</th>
<th>Tax declarations %</th>
<th>e-invoices %</th>
<th>e-banking %</th>
<th>Co-operation with partners %</th>
<th>Other %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total*</td>
<td>64,6</td>
<td>41,0</td>
<td>39,6</td>
<td>46,5</td>
<td>56,0</td>
</tr>
<tr>
<td>small companies</td>
<td>64,6</td>
<td>39,3</td>
<td>45,6</td>
<td>45,6</td>
<td>58,4</td>
</tr>
<tr>
<td>medium-sized companies</td>
<td>64,3</td>
<td>37,1</td>
<td>37,1</td>
<td>39,9</td>
<td>54,1</td>
</tr>
</tbody>
</table>

*) more than one answer could be chosen

Inhibitors of the deployment of IT

Even though the companies declare that their financial situation is generally good, the lack of funds is still mentioned as a number one reason hindering faster expansion of IT, as in all previous years. Still, the proportion of these responses has declined by 10 percentage points over 2005 (Table 2.9.), with small companies experiencing a 13 percentage point decline.
Table 2.9. Basic inhibitors of the deployment of IT infrastructure

<table>
<thead>
<tr>
<th>Inhibitors of IT</th>
<th>Lack of need</th>
<th>Lack of funds</th>
<th>Lack of knowledge</th>
<th>Lack of technical support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total*</td>
<td>27.7</td>
<td>47.1</td>
<td>15.8</td>
<td>16.5</td>
</tr>
<tr>
<td>small companies</td>
<td>28.3</td>
<td>45.6</td>
<td>16.8</td>
<td>20.4</td>
</tr>
<tr>
<td>medium-sized companies</td>
<td>27.2</td>
<td>48.3</td>
<td>15.0</td>
<td>13.6</td>
</tr>
</tbody>
</table>

*) more than one answer could be chosen

The proportion of all other responses has grown. “Lack of need” is now chosen much more often than in 2005 in the medium-size group (nearly 8 percentage points’ growth). In the case of small companies, the 28% of such responses could be caused by a lack of strategy or perhaps a lack of a medium-term IT development plan, which is a result of this group’s general position and capabilities in the economy. These companies are so small that their internal resources are only capable of dealing with payment delays and cash flow issues. A lack of need in the case of medium-sized firms may indicate that they have achieved – in their view – a sufficient level of saturation of IT technology for the given stage of their development. A significant rise in all groups and sectors of responses indicating a lack of knowledge and technical support would seem to be the result of an increase in the complexity of the IT solutions, which extend beyond the basic equipment and systems. Not having specialists at their disposal, companies in the SME sector may feel that they are not keeping up with the rapid development of IT solutions.

Selected responses to additional questions

From the second quarterly edition the research team has begun asking additional questions alongside the primary series of questions, aimed at learning about the opinions on current events, mainly of an economic nature. Questions were also asked concerning the specific aspects of use of IT among the surveyed companies. As opposed to the primary questions where one could only pick one of three responses, the additional questions have usually offered more choices. The catalogue of prepared answers has always been closed, but some questions have allowed for more than one answer.

The additional questions can be divided into three groups (edition and date of study in brackets):

1. General/economic
   - What sort of influence might an agreement on the economic issues between the government and the opposition have on Poland’s economy? (MS Index 2 – February 2004)
   - Does your company plan to utilize funds from EU programs when investing in new technology? (MS Index 3 – May 2004)
   - Can IT and the Internet reduce the negligence of civil servants? (MS Index 8 – August 2005)
   - If your company could take care of at least 50% of government related matters electronically, how much would you be willing to pay for a (certified) electronic signature which would legally replace your signature on paper documents normally handed to the government? (MS Index 11 – May 2006)

2. Technical (use of IT)
   - Does your company have a web page and how actively is it used? (MS Index 4 – August 2004)
   - Whose/what advice do you take into consideration or regard as most important when buying IT products? (MS Index 6 – February 2005)
   - Has anyone in your company participated in any sort of training on IT technologies? (MS Index 7 – May 2005)
   - What computer skills do you require when hiring a new employee? (MS Index 12 – August 2006)
• Does the company use VoIP/IP telephony service? (MS Index 13 – November 2006)

3. Investments (planned purchases)
• Planned purchases of computers – number and type (desktop / notebook) (MS Index 9 – November 2005)
• Planned investment in a local network (MS Index 10 – February 2006)
• What operating systems should be pre-installed on new computers if they were purchased within the next 6 months? (MS Index 14 – February 2007)
• If the company would get PLN 10,000 (EUR 2,500) as a gift to spend on IT, what would be purchased first? (MS Index 16 – August 2007)/

As far as economic questions are concerned, it is worthwhile to consider the intentions of the surveyed companies regarding the potential use of EU funds to invest in new technologies – the question was not restricted exclusively to IT technologies and computer hardware – it was formulated more broadly. It was posed in May 2004, just before Poland’s accession to the EU. It was a period when entrepreneurs did not really have any experience with the possibilities and procedures of acquiring EU funds.

All in all, 32.1% of companies reported an intent to acquire EU funding, 42.7% did not, and the rest did not have an opinion on the matter. The number of negative responses from small companies, which were more skeptical about the possibilities and at the procedures, was clearly greater (51.5%) than from medium-sized companies (33.6%). Above-average interest was shown by companies having to do with commerce (over 48%) rather than production (40%).

The distribution of responses in August 2005 clearly showed that the respondents expected IT to raise the standard of public administration services: nearly 75% of the surveyed entrepreneurs replied affirmatively to the question “Can IT and the Internet reduce the negligence of civil servants?”, including 31% of respondents, who answered with a “definitely yes”. The total proportion of positive answers among medium-sized companies exceeded 76%. This group takes part in public tenders more often than small companies. These answers reflected hope for an increased transparency of activities of the public administration as a result of the obligation to publish information on-line, as well as for objective and justifiable decisions, which would be achieved through the standardizing and formalizing of assessment criteria regarding public tenders. It was difficult, however, to assess the scope of expectations concerning the increase of the proportion of e-government services.

The need for this kind of service might have been partially assessed on the basis of responses from May 2006 (MS Index 11), concerning the amount of money a company would be willing to pay for an electronic signature, with which at least 50% of administrative matters could be handled electronically. Results show quite clearly that most respondents were willing to pay up to PLN 200 (approx. EUR 50) annually for an electronic signature, but only if it would allow them to take care of at least half of administrative issues electronically. Nearly 39% of respondents would only pay PLN 50 (EUR 12.50), a symbolic amount, while barely 12% of respondents would pay over PLN 600 (EUR 150). The lowest amount dominated among small companies. It was evident that despite these costs being minor on a yearly scale, current experience made company representatives skeptical as to the realistic possibilities of electronic cooperation with public administration. The moderate willingness to spend money on an electronic signature was no doubt partially due to the fact that in the case of obligatory settlements with social security system, both the required software and a digital certificate are provided free of charge. Strictly practical considerations are also important – one of the uses of the electronic signature is to sign electronic invoices. For now, the electronic signature remains only a hypothetical concept, especially since it is common that invoices are sent by e-mail in the form of a PDF file.

In the group of questions concerning the uses of IT, in the 4th edition of the study (MS Index 4 – August 2004) a question was asked about how respondents used their own websites. The aim of the question was to find out whether the company’s site contains active elements (at least a contact form), and not just a static company “business card”.

In the context of the data gathered earlier regarding access to the Internet (nearly all surveyed companies had access, over 70% via fixed connections), the number of companies having websites was relatively low (altogether just under 75%). Not much more than 50% of businesses use their websites in an active manner.
As in the case of the question about fixed Internet connections, medium-sized companies had more positive results than small companies. A certain inconsistency appeared when considering sectors – even though trade companies had the largest number of websites, it was this sector that was characterized by the lowest degree of active utilization of the potential offered by websites.

Since over 33% of the respondents did not have an in-house IT specialist, it was important to discover where company owners received opinions from, and whose advice they took when making IT purchases. In February 2005 (MS Index 6) the opinion of an IT specialist employed with the company or an employee performing such a function was the most popular response, although not a very dominant one (14.1%). The remaining responses reached similar proportions: opinions found on the Internet came second (12.7%), just before opinions from business colleagues or friends, articles from IT press, advertising in the media, and articles found in the general or business press (up to 11-12.1%). It was only in the seventh place that one could find the advice of a regular supplier of IT equipment to the company, and the opinion of an external IT expert was even less popular with the respondents (7.9%), even though one would think that such a person would be regarded as more objective than an IT vendor, who may have an interest selling specific IT products. Over 1% of respondents listed their children as IT consultants.

Although almost a year passed between the additional question concerning IT training (MS Index 7 – May 2005) and the question regarding IT skills required from new employees (MS Index 12 – August 2006), the collected responses indicate a certain connection.

Responses regarding IT training showed a very large and poorly exploited market for training. In total, only 37% of companies sent their employees on an IT training course – an average of 2 people. The participation in trainings has been particularly low in the case of small companies – over 70% of these never participated in any form of training in this area. Close to 75% of those companies that did participate in a training sent employees to courses that were either free or subsidized.

On the basis of these results, one can conclude that the biggest barrier to the development of the IT training market is that companies do not feel the need for such training – this was the response of most companies (over 66%). Slim financial resources and other priorities were in the second place as respondents answered “we have more important expenses” (29%). However, 8.8% responded by stating “we would like to but we cannot afford it”, which indicates that for 37.8% of the surveyed companies the price of training was too high. Company owners did not see the need to invest in the qualifications of their own employees – they felt that employees should take care of their own education (over 15% of answers).

In the MS Index 12th edition (August 2006) a question was asked about the computer skills that the company expects from new employees. From the answers collected it is obvious that employers expect a basic knowledge of programs used in the office such as the MS Office suite, and a knowledge of how to use e-mail. Being able to gather information from the Internet was also a basic requirement. Far fewer respondents selected the answer “Internet browsing”, which probably just means they wanted to express a certain need to discipline their employees with regard to the purpose of using the Internet.

Requirements of small companies were significantly larger than in medium-sized ones, which might be the result of smaller budgets that they would eventually have to allocate to training. Employees must be able to use a computer and employers have no intention of spending time and resources to teach them these skills – which explains the less than 6% of respondents who selected the response that the employees “will learn everything at work”. It is evident that there exists a correlation with the very limited willingness to train workers which appeared in the above-mentioned results of the 7th edition of the MS Index.

As for spending unexpected EUR 2,500 (up to three answers could be given) the majority (49%) would buy/upgrade hardware, 32% – operating system or office suite. Almost 28% have chosen the answer “what is EUR 2,500 comparing with the needs of my company – kind of joke?” – which shows that the companies surveyed belong to the group of “bigger small” and middle-sized enterprises.

The survey is conducted by the “Komputer w Firmie” Association (SME IT Association) and sponsored by the Polish subsidiary of Microsoft. The members of “Komputer w Firmie” research team are: Robert Kamiński (conception and coordination), Tomasz Kulisiewicz (analysis), Michał Goliński (Ph.D., Information Economy and Information Society Department of the Warsaw School of Economics – introduction and review). The gathering and preprocessing of data is done by IDG Poland. The full report available at: http://www.komputerwfirmie.org/article.php?sel=24 (in a version of May 2007 – the report presented above covers the results of a study up to August 2007)
3. RESEARCH METHODOLOGY AND DATA COLLECTION

The concept of the research, the terminology used and the methodology of research have been worked out by ARC for Carpathian Foundation Slovakia and made available to the Hungarian, Polish, Romanian and Slovak research groups participating in the research activities. The use of identical concepts and identical methods ensure the comparability of individual studies on the countries. The results of the international survey will be published by the Carpathian Foundation in the near future.

During the first phase of the study we carried out secondary research, whose objective was on the one hand the perusal of statistical data related to the Hungarian portion of the territory of the Carpathians Euroregion, and on the other hand the summing up of the positive and negative trends of the CSR development in Hungary. The sources of the secondary research were primarily statistical annual reports, reports of earlier research, articles that were published on the Internet and web pages dealing with social responsibility. The pieces of information that have been assembled are contained in Chapter 1 and 2 of the country study.

In the second phase primary research work was accomplished for the assessment of the CSR practice of the region as well as for the exploration of good practical solutions. The primary research work consisted of two parts; the conducting of individual and focus group interviews.

- **Individual interviews**

  In the course of individual interviews the data collection was carried out by the co-workers of the Eger center of the Carpathians Foundation between April 1 and June 30, 2007. Three in-depth interviews were conducted with the representatives of TELVILL Kft., HOLCIM ZRt. and Junior Achievement Hungary Foundation. According to their experiences the responders identified with the goals of the research project and gladly answered the questions.

  The organizations featured in individual interviews are characterized by the following:

  - The business sector was represented by 4 enterprises active in various lines of business
  - The non-profit organizations were represented by 9 partner institutions from five different counties (Borsod-Abauj-Zemplen county, Hajdu-Bihar county, Heves county, Jasz-Nagykun-Szolnok county, Szabolcs-Szatmar-Bereg county)

  The information derived from the interviews were supplemented by the Internet data related to the enterprises and partner institutions. The pieces of information collected in this manner were summarized in three case studies, which are contained in 4 chapters of the country study.

- **Focus group interviews**

  The primary research activity also encompassed two focus group interviews in addition to the individual interviews.

  The participants of the Borsod-Abauj-Zemplen county and Heves county focus group discussion were the following:

  - 3 persons from the enterprise sector,
  - 3 persons from public administration,

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26 Part I. of this paper see in ERENET PROFILE Vol.II, No.4. as of November 2007.
- 6 persons representing non-profit organizations,
- 2 persons from the media.

The dates of the focus group discussions were onerous to schedule with the chief representatives of various organizations due to their busy agenda. At the debating sessions a number of diverse topics were supposed to be discussed and opinions formed about them verbally, but because of the time constraint in both cases only the definition of the concept of CSR and the expounding of opinions thereunto were accomplished. With regard to the rest of the issues each participant expressed his opinion in writing. Our experiences gained are positive, since the participants were active, creative and according to their statement they were pleased to devote time to the rational „thrashing out” of this important topic. The focus group discussions supplemented by pieces of information from the Internet are contained in Chapter 5 of the country study.

4. CASE STUDIES

4.1. THE CASE STUDY OF TELVILL KFT.

1. General pieces of information about the enterprise and the local community partners

A. Enterprise
   Name of the enterprise: TELVILL KFT.
   The operations of the enterprise: the designing and manufacturing/implementation of communications, electrical and informatics networks
   The size of the enterprise:
      Number of employees: 85
      The number of domestic business units: 1
      The annual turnover of the enterprise: more than 2.500.000 €
      The annual profit of the enterprise: 300.000 €
   The ownership of the enterprise: domestic/national, 100% Hungarian
   The corporate participants of the CSR activity decision making process: owners, acting managers.

B1. Partner institution
   The name of the institution: National Incubator Foundation
   The area of operations of the institution: health care organization, foundation
   The size of the institution:
      Number of employees (number of volunteers): 8
      Number of domestic units: 1
      The annual budget of the institution: 500.000 €
   The ownership of the institution: Hungarian foundation
   The corporate participants of the decision making of CSR activity: the members of the oversight committee

C1. Major data of the partner relationship
   The time of launch of the CSR project/initiative/program: 1998
   The initiator of the CSR project/initiative/program: business partners

B2. Partner institution
   The name of the institution: Miskolc Game Reserve
   The area of operations of the institution: zoo
   The size of the institution:
      Number of employees (number of volunteers): 12
      Number of domestic units: 1
      The annual budget of the institution: 400.000 €
   The ownership of the institution: 100% Hungarian public ownership
The corporate participants of the decision making of CSR activity: director

**C2. Major data of the partner relationship**
The time of launch of the CSR project/initiative/program: 1999
The initiator of the CSR project/initiative/program: local government

**B3. Partner institution**
The name of the institution: Móra Ferenc Elementary School
The area of operations of the institution: public education
The size of the institution:
- Number of employees (number of volunteers): 34
- Number of domestic units: 1
- The annual budget of the institution: 100,000 €
The ownership of the institution: national public ownership
The corporate participants of the decision making process of CSR activity: instructors, teachers

**C3. Major data of the partner relationship**
The time of launch of the CSR project/initiative/program: 2000
The initiator of the CSR project/initiative/program: directors

**B4. Partner institution**
The name of the institution: Ivancsó-hamlet goat farm
The area of operations of the institution: agricultural undertaking/enterprise
The size of the institution:
- Number of employees (number of volunteers): 5
- Number of domestic units: 1
- The annual budget of the institution: 80,000 €
The ownership of the institution: Hungarian public property/ownership
The corporate participants of the decision making process of CSR activity: owner

**C4. Major data of the partner relationship**
The time of launch of the CSR project/initiative/program: 2002
The initiator of the CSR project/initiative/program: owner, acting managers

**B5. Partner institution**
The name of the institution: Kandó Kálmán Secondary Technical School
The area of operations of the institution: secondary level technical training
The size of the institution:
- Number of employees (number of volunteers): 35
- Number of domestic units: 1
- The annual budget of the institution: 120,000 €
The ownership of the institution: public ownership
The corporate participants of the decision making process of CSR activity: teachers

**C5. Major data of the partner relationship**
The time of launch of the CSR project/initiative/program: 2003
The initiator of the CSR project/initiative/program: director, owners

**B6. Partner institution**
The name of the institution: Foundation for the Development of the Vicinity of the Castle of Diósgyőr
The area of operations of the institution: castle, reconstruction of surroundings
The size of the institution:
- Number of employees (number of volunteers): 27
- Number of domestic units: 1
- The annual budget of the institution: 70,000 €
The ownership of the institution: Hungarian public foundation
The corporate participants of the decision making process of CSR activity: members of the oversight committee

**C6. Major data of the partner relationship**

The time of launch of the CSR project/initiative/program: 2002

The initiator of the CSR project/initiative/program: head of the oversight committee, acting managers

### 2. Matrix of partner relationships

<table>
<thead>
<tr>
<th>Corporate input</th>
<th>Institutional input</th>
<th>The estimated value of inputs (€)</th>
<th>The resources of other partners</th>
<th>Output</th>
<th>Benefit of local community</th>
<th>Benefit of enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incubator for premature babies</td>
<td>Collection and distribution of contributions</td>
<td>6.000 € for purchase of incubator</td>
<td>-</td>
<td>Increase of the chances for survival of prematurely born babies</td>
<td>Increase of the partner and customer satisfaction</td>
<td></td>
</tr>
<tr>
<td>Park of statues for extinct animals</td>
<td>Compiling the plan of the park of statues and management of its realization</td>
<td>6.500 € for constructing and developing the park 3.500 € for designing and implementing it</td>
<td>FK Raszter Kft.: 6.500 €</td>
<td>Opportunity for cultured entertainment and gaining knowledge about extinct animals</td>
<td>Winning CSR tenders and prize</td>
<td></td>
</tr>
<tr>
<td>Development and use free of charge of informatics system</td>
<td>Institutional infrastructure and the hiring of instructors</td>
<td>7.000 € for purchase of computers and their maintenance</td>
<td>Szinvanet Kft.: 6.000 €</td>
<td>Increase of the knowledge of students about information technology</td>
<td>Higher level of commitment of the parents of students employed by the enterprise</td>
<td></td>
</tr>
<tr>
<td>Electricity network, construction of lighting system for outside spaces</td>
<td>Carrying out excavation and concrete laying work</td>
<td>4.000 € for the costs of the materials and mounting the network 2.000 € for excavation and concrete laying work</td>
<td>-</td>
<td>Meeting the specifications of animal health care</td>
<td>Acquisition of a new target market</td>
<td></td>
</tr>
<tr>
<td>Equipment of laboratory for electronics measurements</td>
<td>Institutional infrastructure, acquisition of laboratory instruments and the hiring of technical instructors</td>
<td>7.500 € for purchase of electronics instruments and their renovation</td>
<td>-</td>
<td>The students gain technical knowledge by using modern instruments</td>
<td>Availability of better qualified manpower</td>
<td></td>
</tr>
<tr>
<td>Festive lighting for the Lillafüred Mikulás [Santa Claus] train and decoration of the railway station</td>
<td>Participation in the designing and implementation of festive lighting and decoration</td>
<td>2.000 € for the costs of the materials of lighting 1.000 € for mounting work</td>
<td>-</td>
<td>Opportunity for a pleasant excursion in a beautiful environment</td>
<td>Winning the Prize entitled Cívelek Támogatásáért [For Support of Civil Persons], positive advertisement</td>
<td></td>
</tr>
</tbody>
</table>

**Total** | **39.500 €** | **12.500 €** |

<table>
<thead>
<tr>
<th>Impact on local community</th>
<th>Impact on in enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease of infant mortality in the region</td>
<td>Higher level of costumer loyalty and satisfaction</td>
</tr>
<tr>
<td>Increased attention paid to endangered animal species</td>
<td>Higher level of moral recognition</td>
</tr>
<tr>
<td>More widespread use of computers</td>
<td>More satisfied workers</td>
</tr>
</tbody>
</table>
Spreading of healthier lifestyle and dietary habits
Increase of the resources of support
Increase of employment chances of those graduated from a secondary technical school
More effective performance of work at the enterprise
Happier living of humans in the region
Getting into the limelight of the media

3. Citations or other relevant pieces of information in connections with corporate social responsibility project/program/initiative

László Ágoston acting chief executive: „Our company is not carrying out its activities in an isolated sphere, but takes an active part in the life of its environment. Our fundamental goals are centered on the establishment of a cultured human environment, the propagation of a healthy way of life, the support of culture and the protection of the environment.”
4.2. THE CASE STUDY OF HOLCIM HUNGÁRIA ZRT.

1. General pieces of information about the enterprise and the local community partners

A/ Enterprise
Name of the enterprise: HOLCIM Hungária ZRt.
The operations of the enterprise: manufacturing of cement, stones and concrete
The size of the enterprise:
   Number of employees: 631
   The number of domestic business units: 27
   The annual turnover of the enterprise: 128,220,570 €
   The annual profit/earnings of the enterprise: 19,233,085 €
The ownership of the enterprise: multinational, 95% Swiss owned
The corporate participants of the CSR activity decision making process: acting managers, communications manager

B1. Partner institution
The name of the institution: Kernstok Károly Elementary School, Nyergesújfalu
The area of operations of the institution: public education
The size of the institution:
   Number of employees (number of volunteers): 80+(25 Holcim volunteers)
   Number of domestic units: 1
   The annual budget of the institution: 2,000,000 €
The ownership of the institution: Hungarian public ownership
The corporate participants of the decision making process of CSR activity: principal, teachers

C1. Major data of the partner relationship
The time of launch of the CSR project/initiative/program: 2005
The initiator of the CSR project/initiative/program: communications colleague

B2. Partner institution
The name of the institution: Foundation for the Community Goals of Lábatlan
The area of operations of the institution: Sport, culture, social health care, support of education
The size of the institution:
   Number of employees (number of volunteers): 5
   Number of domestic units: 1
   The annual budget of the institution: 100,000 €
The ownership of the institution: Hungarian foundation
The corporate participants of the decision making process of CSR activity: oversight committee/management

C2. Major data of the partner relationship
The time of launch of the CSR project/initiative/program: 2006
The initiator of the CSR project/initiative/program: oversight committee/management

B3. Partner institution
The name of the institution: Hungarian Business Leaders Forum (HBLF)
The area of operations of the institution: facilitation of partnership cooperation within the scope of business world, public sphere and civil society
The size of the institution:
   Number of employees (number of volunteers): 100 active members
   Number of domestic units: 1
   The annual budget of the institution: 250,000 €
The ownership of the institution: international
The corporate participants of the decision making process of CSR activity: HBLF management board
C3. Major data of the partner relationship
The time of launch of the CSR project/initiative/program: 1992
The initiator of the CSR project/initiative/program: HBLF management board, founding members

2. Matrix of partner relationships

<table>
<thead>
<tr>
<th>Corporate input</th>
<th>Institutional input</th>
<th>The estimated value of inputs (€)</th>
<th>The resources of other partners</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOLCIM Environmental Protection and Zoo outing</td>
<td>Organizing and carrying out environmentally friendly camping Rubbish/waste collection activities for 1500 students</td>
<td>5.000 € for camping, 2.000 € for organizing and carrying out the camping 2.000 € for visit to the zoo 3.000 € for collection of rubbish/waste</td>
<td>-</td>
<td>Getting acquainted with the rules and methods of environmental protection Assuring clean and healthier conditions for living</td>
</tr>
<tr>
<td>Road building, renovation of sidewalk and bike path</td>
<td>Acquisition of machines and ensuring supervision of work</td>
<td>5.000 €-s voucher for costs of materials of road building 5.000 €-s voucher for costs of materials of park building 3.000 € for machine costs of park building</td>
<td>Local government: acquisition of land</td>
<td>Use of roads for safer traffic</td>
</tr>
<tr>
<td>Total</td>
<td>30.800 €</td>
<td>1.500 €</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Citations or other relevant pieces of information in connections with corporate social responsibility project/program/initiative

Portion from the mission of HOLCIM ZRt.: „Our goal is to present our commitment towards the protection of the sustainable environment on an ongoing basis, and to fill quite a noticeable leading role in the area of social responsibility in our range of activities.”

4.3. THE CASE STUDY OF JUNIOR ACHIEVEMENT HUNGARY FOUNDATION

1. General pieces of information about the enterprise and the local community partners

A/ Enterprise

Name of the enterprise: Junior Achievement Hungary Foundation
The operations of the enterprise: support of basic and intermediate level education
The size of the enterprise:
   Number of employees: 20+50 volunteers
   The number of domestic business units: 7
The annual turnover of the enterprise: 400,000 €
The annual profit/earnings of the enterprise: -
The ownership of the enterprise: Hungarian foundation
The corporate participants of the CSR activity decision making process: head and members of oversight committee

B1. Partner institution
The name of the institution: Citibank ZRt. Regional Center
The area of operations of the institution: financial services
The size of the enterprise:
Number of employees (number of volunteers): 34+21 external co-worker
The number of domestic business units: 7
Total value of committed assets: 1.630.000.000 €
Pretax profit: 64.800.000 €
The ownership of the enterprise: international
The corporate participants of the CSR activity decision making process: director for region, communications director

C1. Major data of the partner relationship
The time of launch of the CSR project/initiative/program: 2002
The initiator of the CSR project/initiative/program: director for region

1. Matrix of partner relationships

<table>
<thead>
<tr>
<th>Corporate input</th>
<th>Institutional input</th>
<th>The estimated value of inputs (€)</th>
<th>The resources of other partners</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working out computer-assisted curricula</td>
<td>Computer with multimedia, teaching softwares for English and mathematics</td>
<td>6.000 € a for costs of working out curricula 25.000 € for purchase of computer programs</td>
<td>General Electric Headquarters in Hungary: 5.000 € Ministry of Education and Culture: 5.000 €</td>
<td>Students acquire complex knowledge easier and faster  The name and activities of the Foundation becomes known to the public</td>
</tr>
<tr>
<td>Acquisition of JAM Complex Entrepreneurial Curriculum</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>31.000 €</td>
<td>10.000 €</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact on local community</th>
<th>Impact on in enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better response of students using computerized teaching programs to future challenges</td>
<td>Attracting the attention of actors of business sphere to importance of sponsorships</td>
</tr>
</tbody>
</table>

5. Citations or other relevant pieces of information in connections with corporate social responsibility project/program/initiative

Melinda Annus project coordinator: „The Foundation can realize its goals — instruction of theoretical and practical knowledge for elementary school pupils about the importance of the market economy, about the role of enterprises and about the effect of the economy on their own future — only by the assistance of outside partners. This activity is important for the communities because by means of this they get a real picture about the operation and expectations of the market economy, thus they can better prepare themselves for the future challenges of the labor market.”
5. AN OVERVIEW OF THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY IN THE REGION

In the course of the overview of the practice of CSR in the region we have described the interpretation of concepts, the opinions about corporate social responsibility, the areas of practical implementation of CSR, the positive examples on the practice of CSR, after the main behavioral patterns topics the effect of CSR activity as well as the development trends.

5.1. Interpretation of the concept of CSR

In connection with the concept of corporate social responsibility the following approaches can be distinguished in the region:

- **Switch between business interest and assumption of responsibility:**
  „When we are talking about CSR, the companies are willing to act against business interests.”

- **The connection of the business sphere and society:**
  „The enterprises and profit oriented firms should try to compensate the ones excluded from society, the lower strata. They should return some of the money, which has been taken out of their pockets.”

- **The relationship of business activity and local community:**
  „The enterprises at the location and in the environment where they operate react responsibly to the problems that develop there.”

- **The linking of the business activity and assumption of responsibility**
  „The profit motive alone does not stand its ground, since it has to be linked to maintaining and raising societal well-being and the living standards.”
  „The continuation of the basic activity in such a manner that in addition to the original goal and interest the technical knowledge, standard of living, general wellness and sense of satisfaction of the individual – the employees – should be improving, which has an effect on the whole society directly or indirectly, moreover excessive profit orientation should not exert a deleterious effect on the social factors in society. Openness, maintaining contact with the interested parties as well as voluntary commitment are essential.”

5.2 Opinions about corporate social responsibility

Empirical results show that in connection with corporate social responsibility in a number of cases **skepticism** arises. This can be observed especially among those, who see a switch between profit orientation and the assumption of responsibility: „If I voluntarily relinquish a share of my profit, this may be the hobby of a single individual, but in general this is not typical of business life”.

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According to the opinion of several experts the local practice shows that companies do not rise above the profit motive. Social responsibility in many cases ends with financial support of a certain level provided for a particular goal.

In connection with the large and small enterprises in spite of the fact the concept the CSR is often associated with the large enterprises, in the region it tends to be the role of small and medium-sized enterprise, which is regarded in a positive light. „In the case of large enterprises it is some kind of positioning for influence that appears, which is advantageous for local politicians and the local government, and thereby the solving of essential social problems has been taken care of on their part.” It is rather the small and medium-sized companies which act in a responsible manner, „one or two small firms perhaps apply this principle in a natural way, after all „the family like” atmosphere entails the assumption of social responsibility.”

In the opinion of the interviewed subjects the factors affecting corporate responsibility are manifold:

- **Legal regulation** – By tradition the influence of the state’s role has been substantial in the region. Many people expect the advancement of CSR into the foreground by creating an appropriate legal framework for its promotion. The enlivening effect of the EU guidelines in connection with this could also be sensed in recent years.

- **Competition** – Several people have recognized that competition might force responsible corporate behavior, however, even in the international arena there have been relatively few examples of this, and the competitive situation typical in the region does not yet induce any positive effect in this area.

- **Civil control** – According to some opinions „only very powerful civil control could compel the assumption of responsibility.” „No such strong civil forceful power is manifest in the region that would spur the assumption of social responsibility.”

- **Individual interests** – „One should not forget about the individual value system and the assumption of responsibility in the case of CSR.” „The enterprise represents those values which are represented by the board of directors.”

5.3. The areas of practical implementation of CSR

Corporate responsibility comprises an extremely wide circle, it exists practically in all sectors, and it is diversified in accordance with the characteristics of a given area. On the basis of opinions the following areas can be regarded as dominant in the region:

- **Assumption of responsibility vis-à-vis the employees** – appropriate benefits, training
- **Assumption of responsibility vis-à-vis the costumers and consumers** – safe products of appropriate quality, the provision of services and information
- **Assumption of responsibility vis-à-vis the environment** – introduction of technologies with low impact on the environment, waste management
- **Assumption of responsibility vis-à-vis the society** - culture, health, sports, social institutions, support of minorities, fighting corruption

5.4. Positive examples for the practice of CSR

In 2006 for the first time in Hungary the Accountability Rating Hungary was completed pertaining to 30 large enterprises, which evaluates the assumption of social responsibility of Hungarian large enterprises (http://www.arhu.hu). One of the large enterprises of the region, *TVK ZRt.*, placed fourth. In regard to its social responsibility the commitment to the education of the young generation, the popularization of the healthy lifestyle, the assumption of responsibility vis-à-vis the natural and social environment, and the support of scientific and artistic activities appear.27 As a committed sponsor of culture and the sciences TVK is a patron primarily of high-ranked events and institutions of the Northern Hungary Region. It assists the operation of the Miskolc National Theater, a Magyar Végysészi Múzeum and Herman Ottó Múzeum or the establishment of the Tiszadobi Zongorafesztivál and the Miskolci Nemzetközi Operafesztivál.28 In the area of sports the company sponsors

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27 http://www.tvk.hu/hu/a_tvkrol/tarsadalmi_szerepvallalas/
28 http://www.tvk.hu/hu/a_tvkrol/tarsadalmi_szerepvallalas/kultura_es_tudomanyok/
Júlia Sebestyén, olympic champion, the Tiszăújvárosi Vizi Sportegyesület, the Magyar Triatlon Szövetség, the TVK Mali Triatlon Club and the TVK Balloon Team. For the sake of developing the South Borsod Region the company set up in 2000 the „TVK Rt. a Dél-borsodi régióért“ Foundation, with the purpose of helping its closer surroundings among others in the area of lending an arm to disadvantaged young people, developing community development, basic level education and public education.29

Among the large enterprises of the region Borsodchem in its report on sustainable development when dealing with the management of environmental resources, stresses the presentation of environmental accomplishment, the themes of safety, health care as well as participation in social issues and communication.30

Holcim Hungary has become known with several calls for tenders in the area of assuming social and environmental responsibility: call for tender of Holcim Hungária Otthon Foundation, "MÉDIA A TÁRSADALOMÉRT", Holcim Foundation for Sustainable Architecture.31

Among large enterprises ZF Hungária Kft has made contributions to the development of the local community in a number areas with its sponsorships and events/festivals/shows.

The interviews using focus groups has produced relatively few concrete examples. Among these appeared TEL-VILL Kft that was also featured in the part on case studies. Borsod Megyei Kereskedelmi és Iparkamara also participated in a national award giving process whose winner was this company. This company as a selected enterprise could hold a „best practice“ presentation in the theme of assumption of social responsibility.

Szinvanet Kft., the founder of Miskolci Múzsa, was mentioned as a positive example in the area of supporting culture as well as Autosol Kft. that also joined the initiative.

The statements in the interviews also show that people do not necessarily by all means expect exceptionally huge contributions from enterprises that operate in a socially responsible manner. In Soltvadkert there is a well-known pastry shop, which did not choose the path to quick riches, but rather in part it expanded its undertaking through the increasing circle of customers occasioned by means of its exceptionally fine products, creating a superbly cultured pastry shop with an attractive atmosphere, an in part erecting the statues of famous personalities of the town by qualitatively developing its surroundings and thereby boosted the strengthening of traditions and the sense of belonging together beyond the fact that at the same it was also beautifying its town.

Among the agricultural enterprises of the region using environmentally friendly technology, it can be detected that a responsible approach towards nature and the love of nature emerges that often does not surface at all among financial investors with a solely profit-oriented mind-set.

It is unequivocal on the basis of the examples listed here that in the case of socially responsible companies in addition to the profit motive a certain kind of moral commitment also comes into play.

5.5. Main paragons of behavior

The roots of assuming corporate social responsibility must be sought in individual assumption of responsibility. As one of the participants of a focus group interview aptly put it in words „CSR starts in the cradle“. Upbringing and the basic cultural and ethical values play a vital role in this. At the same time the values that a profession/trade/vocation accepts often as unwritten rules are not to be neglected either.

In the region since the change of the regime a peculiar difference can be observed between those who „were socialized before the change of the regime and those who were after it“. Subsequent to the care provided by the socialist state and to a certain extent by the socialist companies the older people were perplexed by the ruthlessness of the market economy. They are the ones who often look askance with suspicion at the CSR initiatives that appear. On the other hand the young people who accept the market economy as a natural phenomenon, cognizant of its faults, often hail the measures that pertain to corporate

29 http://www.tvk.hu/hu/a_tvkrol/tarsadalmi_szerepvallasok/oktatás_es_gyermekek/
31 http://www.holcim.hu/HU/id/48726/mod/gnm50/page/editorial.html
social responsibility. Among them in this regard being well informed, awareness, the societal and social sensitivity as well as a sense of responsibility is a whole lot more typical.

In the view of many the spurious, make believe activity that surfaces in this area does not help, it much more hurts the cause of corporate social responsibility. Due to the market, the consumer expectations, and the frailty of the civil sphere the “punishment” of irresponsible behavior appears less as a truly effective tool. In contrast the communication of positive examples, their dissemination in the corporate world, and presentation for a wider segment of those affected could promote development and moving in the right direction.

5.6. The effect of CSR activity

According to the basic goal of activity aimed at corporate social responsibility it exerts a favorable effect on society, on the local communities and both the market and non-market affected parties. The welfare of a society is complex, it should not only be expressed in GDP or measured by other quantitative indicators. In addition to the meager resources of the state and of local governments, the positive effect of corporate social responsibility may be felt unequivocally.

In the region even on the level of local government not sufficient resources pose a great deal of concern. Nowadays the current issue in Hungary is the crisis of health care. The provision of help by enterprises in this area greatly contributes to the development of the local government, and the situation is also similar in the area of culture, education and sports.

Corporate social responsibility can yield several beneficial effects also for the company. The satisfaction of workers and the increase of loyalty are manifested as internal positive effects. And the societal recognition earned does not only enhances the legitimacy of the activity of the enterprise, but in connection with its good image the company could also land a better business position. Getting acquainted with the interests and expectations of those affected in the enterprise, communication with them, and the improvement of relations also produces direct and indirect advantages for the enterprise.

The involvement of civil organizations into the process makes possible the utilization of their special knowledge and energies, better utilization of the resources, and may facilitate the effective cooperation of the participants in the process, and the utilization of synergy.

5.7. Development trends

- The intensification of CSR activities can be expected in the region. This can be promoted by efforts of the European Union to this effect, and better acquaintance with national positive examples as well as the increase of the consciousness of affected groups. It is expected on an increasing scale from the enterprises of the region to get involved in social and environmental issues, to employ local subcontractors/suppliers and workers, thereby contributing to the development of the region.

- The CSR activity manifests itself in a wide circle of those affected. It is expected that the enterprises of the region in the future will increasingly transcend the interpretation of CSR as a charity, and increasingly recognize the broad spectrum of expectations of internal and external affected parties, and the opportunities inherent in the mutually advantageous cooperation of the affected parties as well.

- The coming to the foreground of sustainability. The complex handling of economic, environmental and social issues also appears for the enterprises of the regions, the realization of the so-called economic management “standing on three legs”.

- The muscling up of the civil sphere. In addition to the increase of the role of the civil sphere for the sake of better utilization of resources spread thin the cooperation of civil organizations can be prognosticated.

6. SUMMARY, RECOMMENDATIONS

According to the experiences in Hungary it is mainly the multinational companies which are active in social responsibility, the small and medium-sized enterprises tend to regard it as public relations, and consider
CSR as expensive activity, which reduces the profit margin. Eastern Europe and the region are at the beginning phase of CSR both at the corporate level and at the level of civil organizations. These general statements relating to the situation in Hungary are in part true of the Hungarian counties of the Carpathians Region.

What is typical of the assumption of responsibility of enterprises in the region?

The statement, which is valid for the country, is also true of the region in the sense that both on the corporate, local government and civil organizations level CSR is in the initial phase.

The CSR initiatives can be observed mainly on the part of the large enterprises also in the area examined, it is there where the environmental, social and sustainable development reports have been issued. On the other hand the assumption of social role of small enterprises is more significant in comparison to the national trends and the image of small enterprises from a CSR viewpoint is more favorable.

As far as the Carpathians Region is concerned it can be predicted that it will be "the Hungarian CSR dilemma of the next five-ten years how management systems come into being and operate that have been developing continuously abroad and have been tested by now in such a medium, which for the time being neither in terms of knowledge, nor outlook, nor being supplied with resources compares to the situation that can be sensed abroad".

The development of what tools can be expected?

In the development of CSR tools the goal is that the enterprises should be handling social responsibility as part of the business operation process. The "business interest" presupposes such market and institutional environment, which rewards an enterprise management practice showing consideration for the public interest with positive feedback. Based on this the development of the following corporate CSR tools could be expected:

- CSR strategy
- Analysis of the affected parties
- The dialogue of the affected parties/social partners, cooperation among the affected parties
- CSR report
- The integration of social values into the brand name strategy (social branding), the internal communication of this (internal branding)
- Marketing associated with a noble cause (cause related marketing, CRM)
- Responsibility for the value chain

What needs to be done for the sake of development?

In order to ensure the spreading of social responsibility in corporate circles a higher level of acknowledgment must be accorded to those enterprises which have already achieved results in the area of corporate social responsibility. The Union is giving incentive to enterprises that are not yet quite active in this area by examples presenting the best practice). These positive examples should be acquainted with a wide gamut of the enterprises of the region and the chambers, civil organization and education could also garner a significant role in this drive.

The CSR project supported by the European Council is implemented in Hungary by the UNDP office in Budapest with the collaboration of the Ministry of Economics and Transport, the KÖVET-INEM Hungária Egyesület, Tudatos Vásárlók Egyesülete and Levegő Munkacsoport. Those organizations have to be

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found in the region which are capable of undertaking the propagation and development of CSR on the local level. The Carpathians Foundation could play a leading role in taking the initiative in this.

The media has a major role in changing the way of thinking, in information provision and in raising awareness. By focusing on consumers, the employees, local government and civil organizations and even on enterprises substantial progress can be achieved. In order to attain this it is unquestionable that the role of the media has to be regulated, and the media has to assume professional responsibility in this issue.

The involvement of the affected parties and the sharing of experiences can be a factor in success in the course of the development of social responsibility. The extensive cooperation of business, government and civil partners is required for this.

However, there are several preconditions for the evolution of a positive effect. It is not enough to give an incentive by external regulation, the market itself must provide a positive feedback. In the United States a recent research survey has shown that already one-third of young people aged 18–30 years give preference during their shopping habits to the products of manufacturers and service providers with social and environmental responsibility35, and Great Britain is a good example too, where not only the consumers can be regarded as possessing awareness, but even in investments the examination of corporate social responsibility has been given preference.

Therefore in order to make strides in this area indeed it should pay off for the enterprises to run their business in a socially responsible manner; it is not enough to make people aware of social responsibility, but ensuring the appropriate conditions for this is also indispensable. In addition to this the activity and common assumption of responsibility not only by the enterprises and the state, but the civil sphere, various professional organizations, consumers with awareness and employees as well as scientific institutes would be needed.

INNOVATION COMPANY MODEL

BUSINESS MODEL FOR IMPLEMENTING INNOVATION PROCESSES
IN COMPANY PERFORMING WITHIN EU

INFORMATION ON THE PROJECT'S RESULTS

Executive Summary

Overall objective of the European Š-model project was to introduce the innovation management strategy into the wood processing industry. Š-model is a frame of methodology, procedures and "ready to implement" materials for introducing an efficient innovation management; i.e. company's diagnostic tool, booklet containing good practice cases, training programme, methodology for designing Strategy and Operational plan, web pages, supporting materials, etc.

Under the project over 100 top and middle managers coming from selected companies were trained to become mentors to over 1000 co-workers, who already participate in innovation processes actively. A short version of Š-model, i.e. the so-called Innovation Toolbox was developed. It represents a possibility for a wider sphere of companies, especially small ones, to implement the Š-model independently, and thus make use of their employees' innovation potentials efficiently.

The experience gained by the project partners and the companies from Greece, Sweden, the Slovak Republic and Slovenia prove that the project is effective, given that the benefits of the project have already led to concrete economic results in the participating companies. Other companies, coming also from other industries, are offered a possibility to use the Š-model and thus increase innovativeness and consequently achieve higher competitiveness.

The general objective of the Š-model project was to introduce the innovation management strategy into the wood processing industry, namely on the basis of trainings and coaching of top and middle management on the rapid development and higher competitiveness of companies.

The final product of this project is the Š-model – a frame of methodology, procedures and "ready to implement" materials for introducing an efficient innovation management in the companies; namely company's diagnostic tool, booklet, training programme, web pages, supporting materials, etc. Within the project the Š-model was developed and tested, presenting the possibilities of stimulating processes in companies; how to create and transfer ideas into business realisation and establish a self-learning process in the field of innovation processes.
The project's target group encompassed companies representing wood processing industry and furniture branch in the target countries, namely Greece, the Slovak Republic, Slovenia and Sweden. Under the project over 100 top and middle managers coming from selected companies were trained to become mentors to their co-workers. Guided project work with the said managers represented an important part of the project. The participants acquired new knowledge and competences. Moreover, they developed concrete strategies and operational plans aimed at improving the innovation performance in their companies. Some topics concerning both; innovation of products/services and innovation of management itself were presented, e.g.: Introduction of workgroups into the organizational structure, with a primary task of generating inventive and innovative ideas by all employees; An improvement of the production line of non-standard products; Reduction of setup costs on the sewing machine; Development of a new generation of top-design products in cooperation with the Slovenian Academy of Design co-financed by the EU funds; Innovation of the existing product/service portfolio.

In addition, more than 1000 employees from participating companies were involved in training and concrete innovation processes guided by the mentors.

The main steps towards achieving the project objectives were as follows:

- Analysis (diagnostic) of existing situation of innovation management process in selected wood-processing companies in participating countries (analysis "before").
- Development of innovative learning organisational model, based on using modern Information Communication Technologies.
- Preparation and implementation of specific modern in-company training programme for top and middle management from selected companies. The aim of training was to improve their knowledge and skills for an efficient work in the innovation area in company's daily routine.
- Preparation of innovative strategy and operational plans for selected companies.
- Analysis "after" and optimisation of the G-model.
- Development of self-learning tool, which provides managers, trainers and consultants of different business sectors with the opportunity of continuous improvement of companies’ innovation potential through a set of easy-to-use tool for self-evaluation and instructions for training program implementation.

The following scheme gives an overview of the project implementation.
The implementation of the Ė-model project demanded considerable efforts of both the company and project advisors, i.e. a substantial amount of time and other resources. Therefore, it was applied in carefully selected eight companies only. The selection of companies had to be based on the managements’ readiness to change/improve, company’s size (and availability of managers’ time which is often related to company size) and industry (the implementation of Ė-model within the Leonardo da Vinci funding was limited to the wood and furniture industry).

Taking into account the aforementioned, a short version of Ė-model, i.e. the so-called Innovation Toolbox was developed. It represents a possibility for a wider sphere of companies, especially small ones, to implement the Ė-model by themselves using a web platform or materials sent via surface mail.

<table>
<thead>
<tr>
<th>The participants’ opinions were very positive. Here are some of the opinions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The workshops proved to be of a great benefit to our company.</td>
</tr>
<tr>
<td>• It is very hard to give a suggestion for an improvement since this was probably one of the best training I have ever attended.</td>
</tr>
<tr>
<td>• The most valuable benefit for my company is that we started thinking creatively again.</td>
</tr>
<tr>
<td>• Enthusiasm and professional contributions of all our lecturers.</td>
</tr>
<tr>
<td>• We have been provided with concrete examples and case studies for generating ideas.</td>
</tr>
<tr>
<td>• We acquired knowledge on different sources of funding offered by the European Commission.</td>
</tr>
<tr>
<td>• We were provided with new perspectives on entrepreneurship and the importance of innovations.</td>
</tr>
</tbody>
</table>

Any company willing to start improving its innovation potential can use the Innovation Toolbox, a set of easy-to-use tool for self-evaluation as well as directions and concrete materials for programme implementation. The said directions are designed on the basis of a web questionnaire. The latter covers 8 crucial areas starting from idea creation techniques, all the way through innovation chain, up to intellectual property issues. Each area is evaluated by a respondent with a few short statements.

Upon filling-out a questionnaire, the respondent receives feedback on weak points of the company’s innovation system. 8 crucial areas of questionnaire correspond to 8 chapters in the booklet. So, only those chapters which prove to be poorly developed in the particular company are suggested as “compulsory reading”. Some others are recommended only as “optional”. However, some areas such as “Building the fundamentals of a successful innovation management” are considered to be of general interest and are suggested in every case.

The suggested chapters are complemented by other study materials, such as links to good practice cases, links to internet resources and recommended articles. All of the above are selected according to questionnaire results. In addition, the booklet "Managing Innovation and R&D Processes in the EU Environment", the "EU and national analysis of the present state of affairs in innovation and R&D in wood and furniture industry" and the web page represents an important support for companies.

At the final International Conference held in Ljubljana-Slovenia the companies, project partners, representatives from universities, journalists and governmental representatives evaluated the project as very successful, giving the participating as well as other interested companies an improvement opportunity both at the strategic and the operational level. These benefits have already led to concrete economic results.
Please consult the e-model project web site www.innovation.si for additional information.

Partners:

Leading partner: Korona plus d.o.o. - Institute for Innovation and Technology (Slovenia). Partners of the project: Hellenic Regional Development Center (Greece), ICDC – Mjärdevi Science Park (Sweden), Cassovia BIC, s.r.o. – Business and Innovation Center (Slovak Republic), Wood Industry Cluster (Slovenia), University of Primorska, Faculty of Management Koper (Slovenia).

This project has been funded with support from the European Commission. This publication reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.
WORKSHOP ON
“STRATEGIES OF THE DEVELOPMENT OF ENTREPRENEURSHIP
AND SME SECTOR IN THE
BLACK SEA ECONOMIC COOPERATION REGION”
Istanbul, 22-24 November 2007

Summary Proceedings

1. The Workshop on “Strategies of the Development of Entrepreneurship and SME Sector in the Black Sea Economic Cooperation Region” was held in Istanbul on 22-24 November 2007. 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 Dr. Antal SZABO, UN ret. Regional Adviser, Director of the Entrepreneurship Research and Education Network of Central European Universities - ERENERT, Corvinus University of Budapest.

2.1. Ambassador M. SUNGAR welcomed the participants to the Workshop and mentioned that the Workshop was a continuity of fruitful collaboration between BSEC and KAS and that he expected from the participants to analyze the current status of entrepreneurial environment in the BSEC region and explore the possibilities of eliminating the barriers in SMEs development in the BSEC Member States. He also expressed the view that the Workshop would identify the future activities of the BSEC Working Group on SMEs and elaborate concrete recommendations for the Governments of the BSEC Member States aimed at supporting and promoting the activities of SMEs sector. 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 and explained the importance of this extraordinary meeting organized in cooperation with the BSEC. The aim of this Workshop was to present a current situation of SMEs in the BSEC countries in order to elaborate a policy paper, which could serve as a reference document for further development of entrepreneurship in the BSEC region. He stated that KAS had asked Dr. A. SZABO to call upon and supervise a group of independent experts to prepare analytical document on SMEs in the BSEC countries.

2.3. Dr. A. SZABO in his welcoming address highlighted the importance of the largest regional organization in the prosperous Black Sea area adapting to the new responsibilities of the changing world environment. He pointed out that the aims of the Workshop were to:
   (i) review of the current situation in the SME sector in BSEC countries; and
   (ii) provide assistance to strengthening the activities of the BSEC WG on SMEs including cooperation between the stakeholders and SME policy makers.
3. The Workshop was co-chaired in rotation by Mr. J. SENKYR; Ambassador M. SUNGAR; and Dr. A. SZABO.
4. The Workshop was attended by the Experts from the Republic of Armenia, the Republic of Azerbaijan, the Republic of Serbia, and the Republic of Turkey.

5. The Workshop was attended by the Guest Participants from the Hellenic Republic and the Republic of Turkey.

ENTREPRENEURSHIP AND SME-POLICY IN THE BSEC REGION

6. The first speaker of this session, Dr. A. SZABO summarized the history of the various Declarations on SMEs. One of the earliest Declarations was the “BSEC Declaration on SMEs at the Dawn of the 21st Century” adopted on 27 September 2001 in Istanbul, which led to the establishment of the BSEC Working Group (WG) on SMEs in May 2002. Analyzing the activities of the BSEC WG on SMEs, the following remarks can be made:

   (i) The WG on SMEs provides a platform for exchange of policies and maintaining a dialogue among BSEC government authorities.

   (ii) The Plan of Actions of the WG shall be more concrete and comprise a few areas of cooperation, rather than trying to include many sectors for cooperation.

   (iii) It is advisable that the delegations of the BSEC Member States to the Meetings of the WG on SMEs include also the representatives of the private sector, particularly owners/founders of SMEs.

   (iv) The initiatives and projects elaborated within the WG on SMEs should be promoted in close cooperation with the Black Sea Trade and Development Bank (BSTDB), thus securing the financial support for their implementation.

7. Dr. A. SZABO stated that the ERENET Experts prepared and presented a report on the current SME sector in the BSEC countries following a methodology agreed with BSEC PERMIS and KAS. Country presentations included the following:

   (i) Presentation of the SME sector development;

   (ii) Legislation and steps of doing business;

   (iii) SME Support Infrastructure;

   (iv) Financing SMEs;

   (v) Tasks for improvement and further development of the SME sector; and

   (vi) SWOT analysis of the SME sector presenting the Strength-Weakness-Opportunities-Threats.

8. Country presentations were made by the following Experts:

   - Prof. Dr. Dejan ERIC, School of Economics at the University of Belgrade and the Belgrade Banking Academy, General Manager of Institute of Economic Science, the Republic of Serbia;

   - Mr. Umut Yılmaz CETINKAYA, Ph.D. Candidate, Anchora Consultancy, Science and Technology Policies Research Center, Middle East Technical University (METU), the Republic of Turkey;

   - Mrs. Anna PETROSYAN, Ph.D. in Economics, Chief Specialist, Department of Small and Medium Entrepreneurship (SME) Development, Ministry of Trade and Economic Development, the Republic of Armenia;
- Prof. Alakbar MAMMADOV, President of the National Confederation of Entrepreneurs (Employers) Organizations, the Republic of Azerbaijan; and
- Dr. Antal SZABO, UN ret. Regional Adviser, Scientific Director of ERENET, Corvinus University of Budapest, Hungary.

A telephone conversation was organized with Dr. Irina NAOUMOVA, Associated Professor at the University of Tennessee, Khoxville, USA and at the State University–Higher School of Economics within the EMBA Program, Moscow.

**ROUND-TABLE DISCUSSION ON SME POLICIES TOWARD A FULL-FLEDGED MARKET ECONOMY, STABILITY AND PROSPERITY IN THE BSEC REGION**

9. During the discussions, the participants made the following recommendations:

1. The BSEC WG on SMEs should regularly review the implementation of the Ministerial Declaration. Suggestion was made for a Questionnaire serving as a base for the evaluation.

2. Based on the reply to the Questionnaire, to organize a Ministerial Meeting during 2008 or 2009.

3. Updating the list of representatives of the BSEC WG on SMEs and putting their names and coordinates on the BSEC PERMIS website.

4. Based on the updated list of representatives of the WG on SMEs, to establish an international body with broad functions of support of SME activities.

5. Developing an SME information network for the BSEC region.

6. Organizing Annual BSEC Forum on Entrepreneurship aiming at exchange of information and best practices in the major items of the SME Declaration.

7. Increasing awareness towards young entrepreneurs, women, disabled and minorities. Considering the possibility of creation of the Annual Competition of Best Entrepreneurs in different categories, similar to the one organized for Women Entrepreneurs by the UNECE.

8. Continuing the well-established support in organizing SME-related Workshops by KAS and BSEC. Possible future subjects to be considered: corporate social and responsible entrepreneurship, best practice in business incubation, entrepreneurship education, cross-border cooperation, micro-financing as tool for poverty alleviation, support of innovation for SMEs, the role of intellectual property for SMEs.

9. Sharing of knowledge on sustainable economic development.

10. Exploring the way of cooperation between the BSEC and Central Asian countries.

11. Working a program of cultural events in major tourist cities of the region through presenting and selling other country’s SME products and developing understanding approaches in foreign cultures between entrepreneurs.

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 Istanbul.
Ambassador Murat SUNGAR, Antal Szabó, Jan SENKYR and Prof. Alakbar MAMMADOV.

Prof. Alakbar MAMMADOV, Özlem Sever, Attila Sögüt and Veni KLEONAKOU.

Arzu YÜZGEÇ, Umut Yılmaz ÇETİNKAYA, Dr. Anna PETROSYAN and Prof. Dejan ERIC.

özlem Sever, Attila Sögüt, Klery STAVRAKAKI nd Veni KLEONAKOU.

Prof. Dejan ERIC.

Family photo of the Workshop.

Ambassador Murat SUNGAR and Jan SENKYR.

Gala Dinner in the Mavi Balık near to the Bosporus bridge.
The World Entrepreneurship Summit 2008 – wes08 - took place on 10-11 January 2008 at the Queen Elisabeth II. Conference Centre in London. Detailed programme, speeches and comments see at www.WES08.net.

The event was attended by more than 500 people over the two days from some 40 countries around the world. Speakers included Christian Tommassen, Director of the Private Sector Programme (UNDP), Molly Bedingfield, Founder and CEO (Global Angels), Amy Carter, Joint Managing Director (NEMA Foundation), Kevin Spacey, Artistic Director of the Old Vic Theatre, David Pitt-Watson (Hermes), Julie Meyer (Ariadne Capital), Penny Goodman (Cafedirect), Sally Davies (CEO BT Wholesale), Ben Saunders (Adventurepreneur, Polar Explorer and world record holder), Karen Darby (Founder, SimplySwitch) and Alastair Lukies (CEO Monetise). wes08 was supported by the OECD, the European Union, the US State Department, the United Nations and the UK’s All Party Parliamentary Group on Entrepreneurship.

Dr. Rebecca Harding, Founder of the wes08 and Managing Director of Delta Economics opens the event

“Entrepreneurs are the world's change agents. They are ordinary people who take personal risks to be creative, to innovate and to make a difference, either economically, socially or environmentally. Entrepreneurs may set up businesses, push at the boundaries of knowledge or simply want to improve the way in which they do their work. They are the networked, flexible and dynamic wealth creation engines behind every business from the smallest community-based firm to the largest corporate in the world. This group of people, so vital for sustainable development globally, need a place to meet, network, discuss ideas and take real and enduring action.”

Dr. Rebecca Harding

Main focus of the event:
- Social Empowerment, Development and Entrepreneurship
- Entrepreneurship Across Culture
- Global Challenge to Entrepreneurship
Concerning **SOCIAL BUSINESS**, all participants were given a free copy of “Creating a World Without Poverty” by Muhammad Yunus, winner of the 2006 Nobel Peace Prize, founder of Grameen Bank and pioneer of the Microcredit movement. Information on this book see in the last chapter of our periodical. Mr. Yunus forecasts a planet transformed by thousands of social businesses that are, in turn, united by a model for a more humane form of capitalism: Social Business.

The **YOUTH ENTREPRENEURSHIP** panel session was moderated by Jonathan Moules, Financial Times, introducing the subject he said that “entrepreneurship is the new rock’n’roll”.

Key themes:

- Young entrepreneurs are our future business leaders, thought leaders and decision-makers and hold the key to the sustainable development of the world’s economy. Policy across the globe focuses on encouraging more young people into entrepreneurship as a viable career choice, as a way of achieving their ambitions and, in the case of emerging economies, as a route out of poverty.

- This track looks at youth entrepreneurship from a number of perspectives:
  - The education and training of young entrepreneurs
  - Case studies of successful youth entrepreneurs
  - Policy for promoting youth entrepreneurship
  - The role of campaigns and exposure to entrepreneurship as a way of changing cultures over time.
  - The new, socially oriented business models that youth entrepreneurs are increasingly developing
  - Ways of helping young people in the developing world out of poverty
Michael Manning-Prior, Chief Executive of the Enterprise Development Worldwide moderates The Session on Empowering Communities - Unleasing Potential – Creating Enterprise

Mária Lakatos, Director of BIVÁK presents a case study on the first youth centre in Hungary and Anett Angála Dandóczi a young Roma highlights issues facing Young people in Central Europe

WES08 calles to action. DELTA report points out the two main challenges facing the world: “first, that the world is currently changing for the worse, especially in term of inequalities and climate change and that therefore the status quo is unsustainable. Second, we need to broaden our definition of entrepreneurs beyon the “ortodox” economic concept of the entreprener as a market creator, an opportunist and a wealth creator motivated by their own desire for reward and recognition. Isnted...we need to think of entrepreneurs as change agents who hold the key to the sustainable economic development of the planet”.

Innovation and entrepreneurship are the two important calatysts in managing and implementing the changes. For the sustainability we have to develop ENTREPRENEURIAL ECOSYSTEM which based on the role of the entrepreneurs/individuals and enterprises/organizations who have the respurses and capabilities to reinvest these resources in future generations of the entrepreneurs and enterprises.

Plenary Session on „Entrepreneurship - the Global Challenge” chaired by Vicky Pryce, Chief Economic Adviser at BERR and Joint head of UK Government Economic Services. At right John Elkington, Founder and Chief Entrepreneur of the SustainAbility

The UK Government’s Department for Business, Enterprise & Regulatory Reform (BERR) leads work to create the conditions for business success through competitive and flexible markets that create value for businesses, consumers and employees. It drives regulatory reform, and works across Government and with the regions to raise levels of UK productivity. See at http://www.berr.gov.uk/about/about-berr/index.html.
SustainAbility was established in 1987. It advises clients on the risks and opportunities associated with corporate responsibility and sustainable development. Working at the interface between market forces and societal expectations, it seeks solutions to social and environmental challenges that deliver long term value. See at http://www.sustainability.com/about/index.asp.

John Elkington refered to his new releseed book written jointly with Pamela Hartigan “The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World”. The term „unreasonable people” was used byGeorge Bernard Shaw, who once said: "The reasonable man adapts himself to the world, the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man." Elkington and Hartigan provied a first-hand basis of new type of entrepreneur, and reveal how apparently unreasonable innovators have built their enterprises, how their work will shape risks and opportunities in the coming years, and what tomorrow's leaders can learn from them.

ERENET was represented by Professor Zsuzsanna Katalin Szabó, Dean of the Economic Faculty of the Petru Maior University and Antal Szabó, UN retired Regional Adviser, Scientific Director of ERENET.

Compiled by Dr. Antal Szabó
Budapest, 18 January 2008
Broadcast Intro – First Step into Business

Over the past few years the Business Incubator BIOS and its partners, the City of Osijek, Osijek-Baranja County and the Centre for Entrepreneurship, have successfully carried out the project entitled „Business Notebook – First Step into Business“. The Project struck a chord with the local public, in particular with start-up entrepreneurs to whom the information on business start-up and development is of utmost importance.

Prompted by the successful completion of the mentioned project BIOS proposed another project in collaboration with the Slavonia and Baranja Television (STV), namely the development of a special Business TV show and the preparation of a DVD set addressing topics relevant to business start-up. The aim of this project is to furnish quality information and training to future entrepreneurs, all with a view to enabling their smooth and successful completion of the start-up procedure. All the institutions involved shall present their role in the process, furnish practical advice and information regarding the requisite start-up documentation.

The recorded materials will be broadcast as part of the business TV show "From the Idea to Success" broadcast by the STV. It will also be published in the form of an independent DVD set accompanied by some of the relevant entrepreneurial literature and documentation in computerized form.

List of topics:

1. Creation and verification of the business concept
2. Entrepreneurship education and training and market research
3. Setting up a craft/company (+ different possibilities of entering into business - establishment, acquisition, franchise, license)
4. Project financing (illustration of the complete bank procedure)
5. Location and business premises
6. Hiring of workforce
7. Business aid and support
8. Business marketing and presentation at fairs
9. Obligations to the State
10. International business
This Project will be carried out and fostered through joint activities of the following partners: the Business Incubator BIOS Osijek, Slavonia and Baranja Television, Osijek and the Osijek Centre for Entrepreneurship. Project collaborators come from the ranks of business-support institutions and from local and state institutions which actively contribute to the development of business projects in the territory of the Republic of Croatia. The General Patron is the City of Osijek, other patrons being USAID – Poduzetna Hrvatska and Osijek-Baranja County.

**Topic: Creation and verification of the business concept**
The "Creation and verification of the business concept" broadcast will address in particular the importance of devising quality business concepts and the need for their verification, i.e. undertaking market feasibility studies. A distinction will be drawn between the concepts „business idea“ and „business opportunity“. Concepts like business teams, operating costs, basic guidelines for developing more successful business ventures and the most common mistakes in business will also be elucidated. Finally, since entrepreneurs are overall unlikely to succeed on their own, special emphasis will be placed on the need for establishing entrepreneurial cooperation and on the impact of the environment on the success of any business venture.

**Topic: Entrepreneurship education and training and market research**
The broadcast entitled „Entrepreneurship education and training and market research“ will introduce the audience to those institutions whose primary purpose is to provide systematic entrepreneurial education and training. The programmes offered by these institutions are presented from the perspective of their practical value to future entrepreneurs. Their very titles, e.g. "Devise you idea " and "Start your own business" reveal their primary mission - to strengthen start-up enterprises and encourage all those who are contemplating embarking on a business venture in near future. Given the significance of the economic environment and the preferences and needs of the target customer base for the success of any business, the show will place particular stress on the importance of market research and types of such research. Moreover, it will address the methods available to start-up entrepreneurs for the collection of the information necessary to ensure that they manufacture the products or render the services which their target market can actually absorb and afford.

file: [http://www.inkubator.hr/projekti/edukativno-informativna-emisija/index.php#emisija2](http://www.inkubator.hr/projekti/edukativno-informativna-emisija/index.php#emisija2)
INSITUTIONAL PROFILE

Welcome to GEM

The Global Entrepreneurship Monitor (GEM) is a not-for-profit academic research consortium that has as its goal making high quality international research data on entrepreneurial activity readily available to as wide an audience as possible. GEM is the largest single study of entrepreneurial activity in the world. Initiated in 1999 with 10 countries, GEM 2007 is conducting research in 42 countries. Its site is designed to showcase the capabilities and functions of GEM.

What is GEM?

The Global Entrepreneurship Monitor (GEM) research program is an annual assessment of the national level of entrepreneurial activity. A partnership between London Business School and Babson College.

The research program, based on a harmonized assessment of the level of national entrepreneurial activity for all participating countries, involves exploration of the role of entrepreneurship in national economic growth. Systematic differences continue, with few highly entrepreneurial countries reflecting low economic growth. There is, further, a wealth of national features and characteristics associated with entrepreneurial activity.

Those new to the research program will find global comparisons, national reports, and special topic reports based on the annual data collection cycle. This material can be downloaded after a few simple items of personal background are provided. Over 120 scholars and researchers are actively participating in the GEM project; those with user names and passwords will have access to the interview schedules, data collection procedures, and other details required for systematic analysis.

In 2005 the national teams, London Business School and Babson College established an independent, not-for-profit company called the Global Entrepreneurship Research
Association (GERA) to oversee the operations of GEM. GERA now owns the GEM brand.

Its Board of Directors is as follows: Professor Pia Arenius, Professor Silvia Carbonell, Professor Michael Hay and Dr Bill Bygrave. The Research Director, Professor Maria Minniti - E-mail: minniti@babson.edu, reports to the Board and is responsible for the data quality assurance.

See at http://www.gemconsortium.org/default.aspx

NATIONAL CONFEDERATION OF ENTREPRENEURS' ORGANIZATIONS OF AZERBAIJAN REPUBLIC

The National Confederation of Entrepreneurs (Employers') Organizations of Azerbaijan Republic (AEC) was established on March 5, 1999 and officially registered on 9 April 1999.

AEC being a union of employers in Azerbaijan Republic is a non-commercial, non-governmental, self-managing organisation co-ordinating activities of the juridical and physical persons dealing with the entrepreneurial activity not-dependent on their property and organisation-legal form (excluding state-financed organisations) on voluntary basis, protecting their legal and economic rights, having social-effective objectives and considering not to get profit as the basic principle of its activity.

Within its goals the Confederation carries out the following functions:

- To protect rights of the entrepreneurial subjects, their property and other legal interests before the corresponding state structures, municipality bodies and other organizations;
- To assist strengthening of the market infrastructure and development of entrepreneurship relevant to the trends of the State Entrepreneurship Development Program;
- To participate in the collective negotiations with the Azerbaijan Government and Trade Unions Confederation with the purpose of regulation of the labor relations according to the Labor Legislation in the country, to sign the tripartite General Collective Agreement together with the Azerbaijan Government and Trade Unions Confederation;
- To provide the establishment of permanent business relations among its members, to assist work out of the investment, innovation and other initiative projects and formation of sound entrepreneurship environment;
- To participate in preparation and realization of various social-economic oriented sector, regional and country programs;
- To assist local entrepreneurs in search of partners in the country and abroad, participate in their information supply;
- To realize the preparation of the social-economic oriented draft laws and other normative-legal acts related to the development of entrepreneurship;
- To create conditions for study of the world experience of entrepreneurship and its available application in Azerbaijan;
- To assist the establishment of social-economic oriented organizations.

At present time more than 3500 entrepreneurs’ subjects including about 35 Associations and Unions of economic and social orientation are united in AEC. AEC implements its responsibilities as the representative of the employers being a social partner in the trilateral General Collective Agreement.
signed between Cabinet of Ministries, Trade Unions Confederation and AEC in July 7, 2004 for determination of social-economic policy in Azerbaijan and regulation of labor relations.

AEC is the member of International Organization of Employers, World Association of NGOs, International Industrialists and Entrepreneurs Congress, Azerbaijan-British Trade Industrial Council. Confederation works closely with the embassies of USA, Great Britain, Germany, France, Iran, Turkey, Egypt and Israel, international organizations, such as UNDP and participates in their various meetings.

AEC has its representatives in 35 regions of Azerbaijan Republic.

Address: H.Aliyev str. 57, Az1009, Baku, Azerbaijan
Tel: (+994 12) 465 72 43; 465 72 44; 465 72 45; 465 72 46
Fax: (+994 12) 465 72 43
E-mail: ask@liderkart.com, azerenterprise@liderkart.com
www.ask.org.az

Prof. Alakbar Mammedov, President of The National Confederation of Entrepreneurs (Employers') Organizations of Azerbaijan Republic ASK

NEWS CONCERNING ENTREPRENEURSHIP DEVELOPMENT IN AZERBAIJAN

The President of the Azerbaijan Republic Mr. Ilham Aliyev issued an order on measures to ensure the organization of entrepreneurial activity in accordance with "one-stop shop" principle on 25 October 2007. Due to this order the Ministry of Taxes of the Azerbaijan Republic was identified as the single state authority for the registration of the subjects of entrepreneurial activity in accordance with the "one-stop shop" principle. The registration of the subjects of entrepreneurial activity in accordance with the "one-stop shop" principle will be effective from 1 January 2008.

The advantages of "one-stop shop" will be:
- businesses will address one agency only, thereby saving time;
- less procedures and shorter time;
- fewer documents required;
- unique code in business environment - TPIN;
- advising on business legislation;
- single on-line registration database.

The entrepreneurial subjects will be registered in 3 days (before it was 72 days) by 1 procedure after application of "one-stop shop" principle. Only 7 documents (before it was 33 documents) will be needed. The entrepreneurs can start their business with 6 procedures (before it was 15 procedures).

After application of this principle in 6 days about 572 companies were registered, 1500 reports were processed by "195" hot-line, 4500 applications was fulfilled on-line, 900 applications were directly submitted.

Prepared by Prof. Alakbar Mammadov, President
WESTERN ILLINOIS UNIVERSITY

WESTERN ILLINOIS UNIVERSITY (WIU) (http://www.wiu.edu) is a comprehensive, public university, comprised of 4 colleges with 44 departments (see http://www.wiu.edu/toc/dept.php), and two campuses; one in Macomb, Illinois, the other in the Moline, Illinois. First settled in 1829, Macomb is in west-central Illinois, remains principally agriculturally-based, and has a population around 20,000 persons. Moline is one of the “Quad-Cities” (Moline and Rock Island of Illinois, Davenport and Bettendorf of Iowa) located in Northwest Illinois, where Interstate 80 (one of the principal interstate highway systems) crosses the Mississippi River. Population in the region is approximately 400,000 persons, and the area is rapidly diversifying. The region, while agriculturally prominent, also houses sophisticated manufacturing. John Deere; (world-renowned equipment manufacturer), and the Rock Island Arsenal,(the largest government-owned weapons manufacturing arsenal in the western world) are among the major industrial citizens of the region. In addition to manufacturing, the Rock Island Arsenal provides logistics and base support services for the Armed Forces.

WIU’s strategic plan emphasizes four fundamental values of academic excellence, educational opportunity, personal growth, and social responsibility (see http://www.wiu.edu/about/values.php). These values guide all programs, resulting in WIU’s offering two remarkable guarantees to all incoming freshmen students; a 4 year cost guarantee (guaranteeing rates for tuition, fees, and room & board for four years), and a GradTrac program (assuring students can complete their course of study within 4 years).

In March 2006, WIU was ranked as among the best value undergraduate institution among 150 colleges and universities in the United States by The Princeton Review’s “America’s Best Value College” based on student opinion data from a total of 646 schools. WIU was also recognized by The Princeton Review as one of the “Best in the Midwest Colleges,” and was selected as one of only 24 public universities ranked a Tier 1 Midwestern Masters Institution by the U.S. News and World Report.

WIU serves approximately 13,500 students on its two campuses and through distance learning. The Macomb campus is a residential campus, while the Moline (called the Quad Cities Campus) is a commuter campus. During the 2007 Academic year, 2,455 degrees were awarded to undergraduate students, and 602 to graduate students. WIU offers all of the benefits of large public universities; accomplished faculty; modern technologies and facilities; and broad academic and extracurricular opportunities. WIU further offers advantages that larger public universities can’t; personalized attention from qualified faculty, administrators and staff. Full-time faculty teach 95% of classes, guiding student learning, discovery and performance. The average undergraduate class size is 28 students, and WIU (system-wide) boasts a Student-to-Faculty ratio of 17:1. This permits individualized attention and mentoring.

Western Illinois University - Quad Cities (WIU-QC), [where Dr. Emeric Solymossy, ERENENET Member serves], offers upper-division bachelor's degrees, post-baccalaureate certificate programs, and master's degrees as well as the education specialist degree and the educational doctorate. Graduate students complete their first two years of study (general education curriculum) at one of the region’s excellent community colleges, and transfer to WIU for their specialization. WIU-QC students have all the advantages of a strong and dedicated faculty, state-of-the-art educational facilities, and a range of academic and extracurricular activities at a commuter campus. As a result of a Deere & Company donation of riverfront property, WIU is planning an expansion of the Quad Cities campus. The new campus along the Mississippi River will allow Western to better meet the need for public higher education in the Quad Cities. In
January 2006 Western received $2.4 million from the State of Illinois to complete architectural and engineering plans for the renovation of the first building at the new Riverfront campus.

College of Business and Technology

The College of Business and Technology (CBT) was established over 40 years ago. Seventeen (17) undergraduate degree programs and five (5) graduate degree programs are offered by 125 faculty in eight departments, including: Accountancy, Agriculture, Computer Science, Economics, Engineering Technology, Information Systems & Decision Sciences, Management, and Marketing & Finance. The undergraduate and graduate programs in accountancy and all business fields are accredited by AACSB International - The Association to Advance Collegiate Schools of Business. AACSB International accreditation represents the highest standard of achievement for business schools, worldwide. Institutions that earn accreditation confirm their commitment to quality and continuous improvement through a rigorous and comprehensive peer review. AACSB International accreditation is the hallmark of excellence in management education. The criteria and standards are applied in all departments and all majors to ensure a quality educational experience for all students.

In addition to extensive linkages with other domestic institutions, CBT, through the Office of Global Education (http://www.wiu.edu/globaled/) has built many collaborative agreements with international partners, and actively seeks new, mutually beneficial, cooperative linkages. These include opportunities, faculty exchanges, and unique degree programs, such as the Tri-Lateral MBA degree (http://www.wiu.edu/globaled/tmba/overview.html) and the newly initiated Transatlantic, Dual-Degree program (http://www.wiu.edu/globaled/sabroad/duald.php).

The Department of Management

Management skills are applied people skills. In essence, Management means getting work accomplished through the efforts of others and utilization of resources. The Department of Management offers two Bachelor of Business degree programs which provide the theoretical and practical knowledge, skills, and abilities needed for managerial and specialist jobs having high potential in various types of organizations. The program blends theoretical perspectives and practical applications to develop teamwork, team-building, communication, problem-solving, leadership, analytic ability, ethical reasoning, and more.

The Bachelor’s of Business Degree (B.B.) in Management degree program emphasizes practical professional management skills, allowing students flexibility to focus on such areas as organizational behavior/organization development, small business management, and operations management. Since management is a diverse and applied field of study, the objectives of the management program include the preparation of generalists who integrate and coordinate organizational activities of marketing, finance, accounting, operations, and human resources in order to meet organizational goals, and the preparation of specialists who focus on such activities as management analysis, information systems, policy and strategic analysis, and the management of a single operation. Typical placements include positions in computer-related occupations, general management, retailing management, high technology administration, organization development consulting, health care administration, hotel/motel management, government services, administration of non-profit organizations, and operations management positions in manufacturing and service organizations.

The management of human resources exists to improve the effectiveness of people in organizations. The B.B. in Human Resource Management degree program is designed to develop the professional skills needed for a successful career in the human resource management function in both service and production organizations. In addition, students receive a solid base in other
functional areas of an organization. Typical career areas are employment recruiting, training and development, industrial relations, contract analysis and administration, labor relations, wage and salary administration, employee benefits, safety and health, and government compliance.

As an extension of the undergraduate education within business disciplines, the Master of Business Administration (MBA) plays a pivotal role in providing a culminating business experience for students. The goal of the MBA is to prepare individuals for leadership and socially responsible managerial roles in an interdependent, multicultural, and diverse business world. Graduates demonstrate skills and competencies in a broad curriculum that comprises academic studies in business and are prepared for advanced level positions in a variety of complex organizations.

**Small Business Management / Entrepreneurship**

While the small business management, e-commerce, and entrepreneurship courses are taught by the Department of Management, entrepreneurship is prominent within the CBT, and is supported by the entire university community. WIU was selected as one of about 10 state-wide Entrepreneurship Centers (EC) designed as catalysts to create jobs by the State of Illinois. The Western Illinois Entrepreneurship Center: ([http://www.wiuec.org/](http://www.wiuec.org/)) is housed in the recently opened Western Illinois Business Technology Center, and is the 'umbrella' organization for WIU’s economic development activities in the Macomb region. This includes Small Business Development Center (SBDC) ([http://www.wiusbdc.org/](http://www.wiusbdc.org/)), the College of Business and Technology's Business Technology Center, and the Center for the Application of Information Technology (CAIT). Entrepreneurial attributes are further emphasized through the executives in residence, which frequently features prominent entrepreneurs as distinguished speakers. (see [http://www.wiu.edu/CBT/executiveinresidence/](http://www.wiu.edu/CBT/executiveinresidence/))

Similarly, the Quad Cities campus, in conjunction with partners and collaborators, promotes Entrepreneurship and economic development through entrepreneurial activity in the form of active engagement and cooperative working relationships. WIU-QC works to promote entrepreneurial activity and economic development in the community through the Northwest Region Entrepreneurship Center, the Small Business Development Center, the International Trade Center, and the Procurement and Technical Assistance Center.

WIU offers a series of courses to assist students considering seeking self-employment and entrepreneurship. Entrepreneurship curriculum is built on a foundation of management, finance, and marketing courses. With the option of an e-commerce course, students can pursue one of two directions; either a course that focuses on business plan development, or, a unique course that uses teams from different disciplines (e.g., physics and business) to develop a product and the business concept around that product.

Entrepreneurship education at WIU seeks to expose students to the processes involved in creating, managing and successfully growing a small firm. This involves creativity, innovation, resource control, and measured risk-taking. While not every student will start their own business, these abilities are appreciated by all employers, and the skills are suitable for any vocation or occupation the students may subsequently enter. Increasingly, entrepreneurship, like the areas of ethics and critical thinking, should not be treated as separate subjects, but as ways of thinking and acting, and incorporated across the entire curriculum. New courses being considered for implementation emphasize the concept of entrepreneurism; extending the concepts beyond venture initiation. With the expansion of WIU’s Manufacturing Technology, Construction Management, and Supply-Chain Management programs (just to name a few), needs are increasing for courses dealing with creativity, innovation, and new product development, as well as opportunity funding, risk assessment, and intrapreneurship (the dynamics of entrepreneurship.
within established organizations). The goal is to prepare students to succeed in a world characterized by smaller businesses in an increasingly chaotic and technologically complex workplace environment.

Prepared by **Prof. Emeric Solymossy**  
**Western Illinois University Department of Management**  
**College of Business and Technology**

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**Wandsworth Youth Enterprise Centre (WYEC)** is a charity based in Tooting in Wandsworth, London and we have been supporting young people aged 17-30 to develop their business ideas and start up their own businesses since 1988. During this time we have built up a considerable bank of expertise in the field and our programmes of support for young people are recognised as models of good practice both nationally and internationally.

**Wandsworth Youth Enterprise Centre (or WYEC for short) offers a full business start-up programme for young entrepreneurs 17-30 yrs old. Since 1988, WYEC has been successfully helping young people develop careers for themselves as self-employed business men and women.**

**Support includes:**
- Free Introductory Business Awareness Workshops
- Free One to One Business Counselling
- Free Business Skills Training Workshops
- Low Cost Business Address Service
- Low Cost Business Premises

WYEC is also working with other agencies in the UK and abroad on developing programmes for enterprise support for young people while sharing and disseminating best practice.

**Contact:**

**Wandsworth Youth Enterprise Centre**

Broadway Studios, 28 Tooting High Street
LONDON    SW17 0RG

Tel: +4420 8672 2832    Fax: +4420 8672 3247

Email: wyec@wyec.org.uk
ENTREPRENEURSHIP AND ECONOMIC GROWTH INTERNATIONAL CONFERENCE (EEGIC)

28-29 March 2008

BABES-BOLYAI UNIVERSITY, ROMANIA

We are glad to announce and invite you to attend the first Entrepreneurship and Economic Growth International Conference (EEGIC) organized by new GEM member team, Romania, which will be held in Cluj-Napoca, Romania, Babes-Bolyai University, Faculty of Economics and Business Administration between 28-29th of March 2008.

This conference aims to bring together both recent theoretical developments and empirical analysis with applications in the following sections:

1. Small Business Management
2. Entrepreneurship Policy
3. Enterprise Dynamics in Stages of Growth
4. Globalization and Entrepreneurship

Abstract submission deadline: 1st of February, 2008
Paper submission deadline: 1st of March, 2008

For further details please see the following site: www.econ.ubbcluj.ro/~eegic

CONTACT PERSON: Tünde Petra Petru

Email: eegic@econ.ubbcluj.ro

file: http://www.gemconsortium.org/events_article.aspx?id=16
INTERNATIONAL CONFERENCE ON ECONOMICS, LAW AND MANAGEMENT
“SUSTAINABLE URBANISM DEVELOPMENT”

FACULTY OF ECONOMICS, LAW AND ADMINISTRATIVE SCIENCES
and
“PRO IURE” FOUNDATION

Call for Abstracts
First announcement

June 4th - June 7th, 2008
Tîrgu-Mureș
ROMANIA

PARTICIPATION fee (includes the conference materials and proceedings, welcome cocktail, coffee breaks, gala dinner and reception for the main author).

100 € - one participant – one paper

Details about the payment for the registration and hotel accommodation can be obtained at the contact addresses.

! Papers submitted after the deadline cannot be published!

The fees must be paid in to “Petru Maior” University of Tîrgu-Mureș accounts,
- in Ron: RO33TREZ476504601X000426, Trezoreria Tîrgu-Mureș, Cod fiscal 4322831, marking ICELM-3,
- in €: RO74RNCB0193015969130002, BCR Central, Tîrgu-Mureș, Cod fiscal 4322831, marking ICELM-3,
- in $: RO47RNCB0193015969130003, BCR Central, Tîrgu-Mureș, Cod fiscal 4322831, marking ICELM-3.

25 € - accompanying person
GENERAL INFORMATION

ICELM-3 is organized in partnership with:
- Faculty of Law and Political Sciences, Versailles Saint-Quentin en Yvelines University, France;
- Metropolitan State College of Denver, USA;
- Entrepreneurship Research and Education Network of Central European Universities ERENET.

The languages of the conference are English and French. Each participant can present only one paper (author or co-author), which will be published in the volume of ICELM-3 Proceeding. Research papers should be original, unpublished elsewhere and no longer than 16 pages in length. Detailed information on format and regarding electronic submission will be available on the conference Web site.

Instructions for Authors. The paper will be written in Microsoft WORD. Page Format: Paper size A4, margins left, right, top and bottom - 20 mm, (Justified), default font TNR 14 pt, line spacing 1,5; Paper Title: on 50 mm, upper case, TNR 16 pt, bold, align center; List of Authors: Second line under title, TNR 14 pt, bold (including name, scientific title and institution); Abstract: include a 200 word abstract, second line under authors, TNR, 14 pt, italics; Drawings and charts: will be numbered and inserted in the text; Footnote: in the bottom of the page, TNR, 11 pt; Bibliography: The references, ordered alphabetically, should be at the end of the paper.

Papers shall be e-mailed to your track chair’s e-mail address.

Web: [http://eja.upm.ro/icelm3/](http://eja.upm.ro/icelm3/)

DEADLINES

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Tudor DRĂGANU, Honorary Member of the Romanian Academy

President
Liviu MARIAN, Rector of „Petru Maior” University

CONFERENCE TOPICS, TRACK CHAIRS and CONTACT INFORMATION

1. LAW and PUBLIC ADMINISTRATION
   Brîndușa Marian: +40-727-842222
d1icelm3@ea.upm.ro

2. MANAGEMENT and MARKETING
   Andrei Mărginean: +40-744-567439
d2icelm3@ea.upm.ro

3. ECONOMICS (Economics, Accounting, Finance, Banking)
   Irina Pășcan: +40-744-363857
d3icelm3@ea.upm.ro

4. SOCIAL and POLITICAL SCIENCES
   Maria Georgescu: +40-745-818555
d4icelm3@ea.upm.ro

5. INFORMATION and DECISION SYSTEMS;
   MATHEMATICAL MODELLING and STATISTICS
   Márta Kiss: +40-740-205279
d5icelm3@ea.upm.ro

6. ENTREPRENEURSHIP EDUCATION
   Daniela Dășilă: +40-741-396365
d6icelm3@ea.upm.ro
MEMBERS OF THE INTERNATIONAL SCIENTIFIC COMMITTEE

Ioan ABRUDAN (Romania)
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Remark: Persons marked with orange color are members of the ERENET.

CONFERENCE PROGRAMME

WEDNESDAY, JUNE 4, 2008
9:00 - 22:00 Registration: „Continental“ Hotel
19:00 - 22:00 Welcome Cocktail, „Continental“ Hotel

THURSDAY, JUNE 5, 2008
9:30 - 13:00 Opening Ceremony
10:30 - 13:00 Scientific Sessions
13:00 - 15:00 Lunch break
15:00 - 18:30 Scientific Sessions
20:00 - 22:00 Galla Dinner

FRIDAY, JUNE 6, 2008
9:00 - 13:00 Scientific Sessions
13:00 - 15:00 Lunch break
15:00 - 17:00 Round tables:
  • European Public Administration
  • Sustainable urbanism development
  • ENTREPRENEURSHIP EDUCATION
SATURDAY, JUNE 7, 2008
Post Conference Tours.

ORGANIZING COMMITTEE

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Emilia HERMAN  Ozana VODĂ

Mail Address
Universitatea „Petru Maior”
Facultatea de Științe Economice, Juridice și Administrative
ICELM - 3
Str. Livezeni, nr. 69, Tîrgu-Mureș
540560 ROMANIA
Telephone: + 40-721-433979
+ 40-742-993395
Fax: + 40-265-219034
2nd International FINPIN Conference –

PROMOTING ENTREPRENEURSHIP BY UNIVERSITIES

April 20-22, 2008 in Hämeenlinna, Finland

Promoting Entrepreneurship by Universities is continuation to the FINPIN Conference held in 2006, when the first time in polytechnic environment entrepreneurship and business incubating processes were discussed at the national and international level. The forthcoming conference will focus on how universities will promote entrepreneurship by research and education, promoting activities, and transferring best practices.

The conference will be a meeting forum for teachers, researchers, practitioners, and politicians who are interested in themes and issues concerning entrepreneurship and especially who want to share their knowledge and best practices.

Proceedings of the FINPIN 2008 Conference, which includes selection of full papers presented at the conference, will be published after the FINPIN 2008 Conference.

Conference is organised by: FINPIN, HAMK University of Applied Sciences and Häme Convention Bureau

City of Hämeenlinna is situated only 55 minutes Helsinki International and can be reached easily taxi or train. Further information about Hämeenlinna www.hameenlinna.fi/english/

The University “Ss. Cyril and Methodius” Business Start-up Centre in Skopje, Macedonia together with CITY College (an affiliated institution of University of Sheffield) - Computer Science Department, Thessaloniki, Greece are organizing the first International Conference for Entrepreneurship, Innovation, and Regional Development ICEIRD 2008. It will take place in Skopje and Ohrid in the period 8th – 11th May 2008.

ICEIRD 2008 will be organized in conjunction with the EU Day of the Entrepreneur on 9 May, 2008.

Topics covered at the conference are:

- Governmental and regional policies on entrepreneurship, innovation and R&D
- Clustering and networking
- Entrepreneurship education
- Family businesses and entrepreneurship
- University – industry collaboration
- Innovation policy in small and medium enterprises
- ICT and Regional competitiveness
- Knowledge management and technology transfer
- Regional innovation strategies
- Regional competitiveness and development
- Business process modeling
- The benefit of knowledge zone, business centers and incubators in the region
- Business incubation
- Best practices in the region / Macedonia (start-up companies)
- Financing innovation, R&D, SMEs

OBJECTIVE OF THE CONFERENCE
The objective of the Conference is to gather in the same place decision makers (government, ministries and state agencies), scientists (universities, research and development centers, start-up centers and incubators) and practitioners (SME’s) in order to discuss topic that are of crucial importance for national competitiveness and increased regional development in the South East Europe.

The key areas of the conference are:

- Entrepreneurship as a process of identifying opportunities and putting useful ideas into practice;
- Innovation as the driver of national, regional and global economy;
- Regional development and the possibilities and barriers for closer cooperation between South East European economies.

TARGET AUDIENCE

The workshop will be addressed at national and regional government representatives in all countries of South-East Europe, who are involved in the process of policy making in the area of Innovation, Entrepreneurship and Regional Development. Special target group are enterprises, as well as non-governmental organizations active in conference topics.

The workshop brings together policy makers, experts, practitioners, professors, business people and scientists in this subject area. The conference will make a contribution to policy making and new ideas on competitiveness in the region. Special target audience are students, young researchers, scientists, and their supervisors from academia and industry to present actual research projects and results. Specific student track will be organised on 10th May 2008.

In conjunction with ICEIRD2008, the 4th Southeast European Network of Start-ups and Incubators (SENSI) meeting will take place in Ohrid on 10-11 May 2008.

FOR FURTHER INFORMATION PLEASE VISIT THE FOLLOWING WEB-SITE:
http://www.iceird.org/
2008 International Council for Small Business (ICSB) World Conference

“Advancing Small Business and Entrepreneurship: From Research to Results”

June 22—25, 2008 Halifax, Nova Scotia, Canada

Please join researchers, educators, policy makers, and business service providers from around the world at the 53rd International Council for Small Business (ICSB) World Conference, being held at the World Trade and Convention Centre.

The International Council for Small Business (ICSB) integrates the activities of diverse organizations and professionals who deal directly with small business and is the leading global membership organization for those interested in the theory and practice of entrepreneurship. Submissions can be made for academic papers and workshops.

Areas of Interest:

- Training and development of small business owners and entrepreneurs: lessons learned
- Financial and non-financial SME programs and services: impacts and results
- Innovations in small business financing for start-up and growth
- Linking entrepreneurship and the commercialization of R&D
- Enterprise and innovation centres: their role and impact
- Entrepreneurship research: from theory to Practice
- Role of universities and colleges in fostering entrepreneurship
- Turning research into useful tools to help SMEs
- Visible minority and ethnic entrepreneurship
- Regulatory environment and business entry
- Entrepreneurship and SME development in transition and developing economies
- Small business support services - approaches, innovations, impacts
- Development financing: micro-finance, development banking
- Regional differences in entrepreneurial and SME activity
- SMEs, export development and internationalization
- Developments in SME management and marketing
- Social, environmental, and ethical responsibility
- Factors affecting success and failure of SMEs
- Role of SMEs in private sector development
- Tools and techniques for assisting SMEs
- Community and social entrepreneurship
- Advancing entrepreneurship education
- SME productivity and competitiveness
- Sustainable development and SMEs
- International entrepreneurship
- Older worker entrepreneurship
- Aboriginal entrepreneurship
- Nascent entrepreneurship

- Entrepreneurship and economic growth
- SME clusters and supply chain linkages
- Regional and rural entrepreneurship
- Business start-up and incubation
- Entrepreneurial/SME networks
- High-growth entrepreneurship
- Women’s entrepreneurship
- Youth entrepreneurship

**Abstract Deadline: February 18, 2008**

For online submission, visit the 2008 ICSB World Conference website at:


For submission guideline follow

**CONTACTS:**

**Dr. Robert Anderson**, Paper Track Chair  
Phone: +01 (306) 585-4728, Email: Robert.Anderson@uregina.ca

**Chris Pelham**, Workshop Track Chair  
Phone: +01 (902) 585-1181, Email: Chris.Pelham@acadiau.ca

If you have difficulty viewing the content of this email, please visit [http://www.icsb2008.org/callforpapersperlex.html](http://www.icsb2008.org/callforpapersperlex.html)
VISION AND OBJECTIVES

The International Small Business Congress has been held annually since the first event in Hawaii in 1974. The basic objectives were in 1974 and are today to assemble representatives from trade associations, governments, financial institutions, business support organisations and academic communities for the purpose of exchanging views about small and medium-sized business problems, policies and programmes for assisting them. Other objectives are to provide business opportunities among participating SME people and to develop communication linkages and networks and to continue meaningful contacts and relationships, resulting in mutual assistance among various regions of the world.

This annual Congress has been hosted by countries such as Australia, Canada, Germany, Japan, Singapore, South Korea, Spain and USA. ISBC has been organised in a similar model but without a formal charter. A unique feature of the Congress is that each hosting country is encouraged to present the programme to suit its own culture, background and expertise. A total of more than 20,000 participants throughout the world have attended the 33 Congresses to date.

ISBE 2008 Conference

The Congress is being held in conjunction with the Institute for Small Business & Entrepreneurship’s Annual Conference and there will be several joint Plenary Sessions and Social Events arranged to facilitate international networking opportunities for all delegates.

WHO SHOULD ATTEND?

• Trade Associations
• Support Organisations
• Practitioners
• Policy-makers

• Financiers
• Entrepreneurs
• Consultants
• Business Strategists
• Advisers & Mentors

WHY SHOULD YOU ATTEND?

• Share best practice in business management and development
• Consider applications and policy implications of latest research
• Find out what new opportunities and threats lie ahead
• Develop your networks and establish new working relationships
• Business to business networking and match-making
• Best practice visits to Industrial Parks, Incubation & Innovation Centres

ISBC 2008 Congress Secretariat, PO Box 288, Dept NC805, Harrogate, HG1 9AX, UK
Tel: +44(0)1423 879208 Fax: +44(0)1423 870025
E-mail: info@isbc2008.org
Website: www.isbc2008.org
NEWS RELEASE - BOOKS

ANALYSIS OF COMPETITIVENESS

The 2007 Observatory of European SMEs

The Observatory of European SMEs was established by the Commission in December 1992 in order to improve the monitoring of the economic performance of small and medium sized enterprises (SMEs) in Europe. Its task is to provide information on SMEs to policy-makers, researchers, economists and SMEs themselves.

This latest Observatory survey was carried out end of 2006 and early 2007 in the 27 Member States of the European Union (EU), as well as in Norway, Iceland and Turkey - in the countries participating in the Multiannual Programme for Enterprise & Entrepreneurship. It included for the first time large-scaled enterprises (employing at least 250 persons) in its sample, to allow an identification of the specific performances, behaviours and problems of SMEs. Altogether, 16 339 SMEs (17 283 enterprises in total) were interviewed. The survey was primarily enquiring general characteristics of firms active in the countries surveyed, perceptions on business constraints, competition and human resources problems and data on internationalisation and innovation.

In this way, it provides an empirical foundation for the design of SME policies – which are one of the key components of the revised Lisbon Strategy - at the national and the EU level.

The main findings are:

1. Exports

Fewer than one in ten EU SMEs (8%) reported turnover from exports, which is significantly lower than the respective share of large enterprises (28%). The main export obstacle for SMEs is the lack of knowledge of foreign markets (13% of exporting SMEs mentioned this as their prime obstacle), followed by import tariffs in destination countries and the lack of capital (both 9%).

2. Relocation/subsidiaries abroad

Only 5% of EU SMEs have reported that they have subsidiaries or joint ventures abroad. These foreign business partnerships seem to have a positive direct impact on employment in the home countries of EU SMEs: 49% of the involved SMEs confirmed that their partnership does not affect employment in their home country, while 18% reported that it increases and 3% that it decreases their respective employment in the home country. The main reason for SMEs to invest abroad is the geographic proximity as supplier to other enterprises.

3. Strategies against increasing competition

While two thirds of SMEs in the EU believe that competition in their markets has increased over the past two years, the primary strategy of SMEs to face increasing competition is the improvement of product quality; increasing working hours, looking for new markets abroad, and especially cutting production are seen as last resort strategies.

4. Innovation: New products in enterprise portfolio
About 3 in 10 SMEs indicated that they have new products or that they do have income from new products. The share of SMEs which reported innovations is higher in the old EU Member States than in the new Member States.

5. **Barriers to innovation**

SMEs regard four factors as constituting equally important barriers to innovation: problems in access to finance, scarcity of skilled labour, a lack of market demand and the high cost of human resources.

6. **Energy efficiency**

Comprehensive systems for energy efficiency are much less in place in SMEs (4%) than in large enterprises (19%); the same applies for simple measures to save energy, which are used by 30% of SMEs but 46% of large enterprises.

7. **Dependency from regional markets**

The survey confirms that SMEs (89%) are much more dependant on the regional labour market than large enterprises (77%).

8. **Availability of an appropriate workforce**

More than half of SME managers said that they have recruitment problems. A primary problem is the availability of an appropriate workforce; excessive wage demands are a relatively distant second issue. Finding and hiring the appropriate workforce is a challenge for many SMEs in the EU. Especially in the new Member States, a significant number of jobs remain unfilled.

9. **Administrative regulations**

Beyond the limitations of the demand side, the most important individual business constraint reported by SMEs is the compliance with administrative regulations; 36% of EU SMEs reported that this issue constrained their business activities over the past two years. This judgement is linked to the appraisal that 44% of SMEs consider themselves as operating in an over-regulated environment. Furthermore, SMEs perceive an overall deterioration in terms of administrative regulations.

Creating a World Without Poverty

Social Business and the Future of Capitalism

“My first book, Banker to the Poor, told the story of the founding and early development of the Grameen Bank. It also explained the workings of microcredit and its power as a weapon in the global battle against poverty.

This book takes the story a step further. Its purpose is to outline the next phase in the economic and social revolution spearheaded by the Grameen Bank and the microlending movement—namely, the emergence of social business in the vanguard of a worldwide effort to eliminate poverty, unleash the creative energies of all people, and make true abundance possible for every human being.

Three themes are central to this book.

The first is poverty—its causes and cure. I will show that poverty is created by economic, social, and political systems, and by false ideas—not by the laziness, ignorance, or moral failings of the poor.

The second theme is the role of women as drivers of the coming revolution. Current social arrangements especially victimize poor women. If the creativity, energy, and desire for family improvement that are latent in hundreds of millions of the world’s women can be unleashed, nothing can stand in their way.

The third theme is technology as a crucial enabler of the revolution. New ways of managing and communicating information are already changing lives the world over. Now these tools must be made available to everyone, including residents of the most remote villages in Asia, Africa, and Latin America. The result will be decentralization of economic and political power as worldwide markets in ideas, goods, and services become accessible to all.

When I give public talks about my work, I usually end by sketching my vision of the world of the future. Imagine a world in which there are no more poor people. In such a world, when a child asked his or her parents, "I saw the word poverty in a book—what does it mean?" they would reply, "We'll take you to visit the poverty museum."

Perhaps this idea seems impossible, a remote goal that could never be achieved. But consider this: For thousands of years, the world always had smallpox. Millions of women died from complications of childbirth. Sufferers from mental illness were trapped in helpless agony and loneliness. Most countries were ruled by tyrants or hereditary elites. Few people lived beyond the age of thirty.

Today, all these conditions have been swept away, thanks to science, technology, education, and social progress. Most of all, improvements in living conditions have been produced by new ideas. People began to see that illness was caused by microbes, not by evil spirits; that simple measures like sanitation could
drastically reduce disease; that human beings, given the opportunity, were capable of governing themselves. When the time is right, a new idea is capable of transforming the world.

The time has come for the new idea of social business to lead the world's next great transformation—to take the vision of a world in which poverty can be found only in a museum and turn it into reality.”

Muhammad Yunus

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   7. One Cup of Yoghurt a Time

PartIII: A WORLD WITHOUT POVERTY
   8. Broadening the Marketplace
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   10. Hazads of Prosperity
   11. Putting Poverty in Museums

Epilogue: “Poverty is a Threat to Peace” – The Nobel Price lecture

“By giving poor people the power to help themselves, Dr. Yunus has offered them something far more valuable than a plate of food-security in its most fundamental form.”

Former President Jimmy Carter
The address of the ERENET Secretary see below:

Dr. Antal Szabó, Scientific Director  
Attila Petheő, Secretary  
Budapest Corvinus University  
Small Business Development Centre  
Room No. 331.  
ERENET  
H-1093 Budapest, Fővám tér 8.  
Hungary  

Phone: (+361) 482-5116, Fax: (+361) 482-5408  
E-mail: info@erenet.org and antal.szabo@gmail.com  
http://www.erenet.org