

## SESSION 2

### ***CSR and SMEs: an opportunity or a luxury?***

**Thursday 9 April 2009, 14.00-15.45**

*The general objective of this short paper is to provide the distinguished participants with the broad scope of the discussions that will take place during this session of the conference and with the details of the session's structure. While suggesting an overall framework as well as some keywords for the proposed issue it aims to set the tone of the debates.*

*The distinguished participants are kindly invited to feel free to refer to the subjects proposed below as a support in order to guide the design of their interventions during the session.*

#### **Detailed programme**

**Moderator of the session:** *Turkish Television/Radio Host from Dünya or other Turkish media*

14.00-14.30	<b>Chairman of the session:</b> <b>Pierre JACQUET, AFD Chief Economist</b>
14.30-15.45	<b>Round Table:</b> <b>CEO of a Turkish SME : case study (to be determined)</b> <ul style="list-style-type: none"><li>- The International Standards <b>Paul Begley</b>, Senior Researcher AccountAbility</li><li>- The Situation in Turkey: <b>Melsa Ararat</b>, Director and Faculty Member, Corporate Governance Forum of Turkey, Sabanci University</li><li>- CSR in the banking sector <b>Süleyman Aslan</b>, Deputy General Manager, Halkbank <b>Devrim Ziya Tavil</b>, SME Banking Director, TEB (Türk Ekonomi Bankasi)</li></ul>

#### **Proposed Format of the Session**

**The session's structure will be as follows:**

Presentation by the Chairman of the session dealing with the overall issues related to the proposed subject and briefly detailed below. This presentation is limited to 30 minutes.

The presentation will be followed by a one hour and a half long Round Table during which the keynote speakers will have the opportunity to:

- Contribute to the debate by presenting their experience and position concerning the discussed subject
- Participate to the discussion that will follow the presentation of the Chairman of the session moderated by a professional media host. The discussion will be substantially in line with the issues detailed below.
- Engage into interaction with the audience during the whole length of the Round Table.

#### **Important:**

***The second part of this session is a moderated Round Table. Thus, please kindly note that individual presentations of the keynote speakers shall in no case exceed 5 minutes each.***

### **Practical Issues:**

Various support tools (short media, PowerPoint diaporama etc) may be provided by the panellists. Please do not hesitate to come back to us for more information. However please note that the documents should be in English.

Presentations as well as Round Table Discussions will be conducted in English. There will be simultaneous English/Turkish translation.

The distinguished participants are invited to attend before the session a Lunch with the audience. Each panellist will chair an assigned table. Members of the audience will choose their table according to the issue presented by the panellist.

### **Important:**

**Please note that every panellist is expected to provide the organizers beforehand the conference with a short memo, not longer than 2 Word pages, which will include:**

- A short presentation of the panellist (biodata, experience in the considered field of activity). This information will be strictly used for the conference purposes in the program as well as for the presentation of the panellist during the session.
- The panellists' position regarding the proposed issues, the subjects on which he/she would like to elaborate more specifically, the business cases, experiences and best practices that he/she would like to mention. This part is intended for the organizers and will NOT be published.

### **Targeted audience of the conference:**

- Turkish SMEs
- SMEs from Mediterranean and other emerging countries
- Banks and Development Banks interested in the Turkish market
- Business associations, Industrial Zones and Chambers of Commerce
- Export credit insurance and Venture Capital companies
- Turkish authorities (i.e. Ministry of Finance, Under secretariat of Treasury, State Planning Organisation, Central Bank, Ministry of Industry and Trade)

Local and International Media

### **Suggested scope of the Session**

*The conference is oriented towards the business community and is designed to address best practices, funding opportunities as well as to identify trends and innovations in SME sector development.*

*This session will give an insight into this issue through debate between CSR think tanks, SMEs, banks and DFIs, while giving examples of successful CSR processes applied to SMEs.*

Corporate Social Responsibility (CSR) is an evolving notion. The European Commission defines it as a "concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". It globally appeals to the contribution of enterprises to "sustainable development" ranging from internal social aspects such as human resources management, to external social issues as well as their environmental dimension. From a purely economist's point of view it is the deliberate allocation of the firm's profits to the benefit of the community. However this view would be very restrictive. Recent business studies tend to see CSR as a core strategy of the enterprise, in particular allowing a firm to anticipate the future demand of the society.

Most key principles and tools have been developed by, for and in the context of big corporates. Indeed, SMEs have different characteristics and generally more restricted resources than larger enterprises (e.g. in terms of ownership, relations with their local environment/community and ways to do business etc), hence tougher competition conditions.

How does the principle of CSR apply for small and medium sized businesses? Are there specific ways

and reasons for them to implement CSR principles? Until recently the prevailing common place, especially in developing countries has been that CSR did not apply to SMEs or were too much of a useless burden for them in supply chains focused on cost effectiveness. Nevertheless, after some international scandals some multinationals have increased their attention to CSR standards and SMEs have started to adopt CSR principles in order to qualify as suppliers to larger enterprises ('supply chain effect'). More generally, SMEs can draw benefits from CSR.

### **1°- Chairman of the session presentation:**

**The chairman of the session, Pierre JACQUET**, will present a synthetic view on Corporate Social Responsibility. He will in particular address the following questions:

Business leaders, government officials, and academics are focusing considerable attention on the concept of CSR. Beyond complete compliance with regulations, or international standards, or marketing and communication purposes, do firms and especially SMEs have additional moral or social responsibilities to commit resources to environmental protection, to enhance the conditions of their employees and improve the impact of the firm on its immediate social environment?

- How should we think about the notion of firms sacrificing profits in the social interest? May they do so within the scope of their fiduciary responsibilities to their shareholders/ the owners of the firm?

- Can they do so on a sustainable basis, or will the forces of a competitive marketplace render such efforts and their impacts transient at best and vanish at the first signs of economic slowdown?

- Do firms, in fact, frequently or at least sometimes behave this way, reducing their earnings by voluntarily engaging for example in environmental stewardship?

- And finally, should firms carry out such profit-sacrificing activities, in other terms is this an efficient use of social resources?<sup>1</sup>

*This presentation will be followed by a Round Table organized taking into account the memos received from each of the keynote speakers. Reactions to the Chairman's presentation would be complemented by insights addressing the subjects detailed below.*

*The keynote speaker is the ambassador of his/her subject, however the other speakers will have the opportunity to speak as per their wish mentioned in their memo. The moderator will organize and liven up the discussion.*

### **2°- Round Table and Interaction with the audience**

#### **a. The International Experience of CSR for SMEs**

*Keynote speakers: Paul BEGLEY, Account Ability 21*

The last fifteen years have witnessed an exceptional proliferation of corporate responsibility tools – ethics codes, principles, guidelines, standards and other instruments. However one difficulty when comparing CSR practices country-wise consists in the lack of agreement and more importantly of a general standard for the topics to be included under the CSR umbrella.

There is a proliferation of organisations proposing international reference criteria with regards to CSR: Accountability 1000 Assurance Standard (AA1000), Ceres & Equator Principles, **Extractive** Industries Transparency Initiative (EITI), Global Reporting Initiative (GRI), Greenhouse Gas Protocol (GHG) Protocol, ILO Declaration, ISO 14000, MacBride Principles, OECD Guidelines, Social Accountability 8000 (SA8000), United Nations Global Compact (GC), UN Norms, Universal Declaration of Human Rights (UDHR)... to name a few.

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<sup>1</sup> Forest L. Reinhard, Robert N. Stavins and Richard H.K. Vietor (2008), "Corporate Social Responsibility through an Economic Lens", Working Paper n°43, Harvard Business School;

For businessmen it is not easy to find their way through these standards, especially for SMEs. However supply chains have been an acceleration of the implementation of CSR. Due to upstream demand CSR has apparently begun spreading to the level of SMEs.

- Is there a place for SMEs in the CSR issue or is this a topic for rich multinational and visible companies?
- Who are the champions of responsible business among SMEs on global scale? How did they make it happen and what are the benefits they are reaping from their involvement?
- International competition is pushing businesses around the world to go further than national regulations. However CSR still implies a voluntary attitude from the corporates. What are the easy to apply and most accepted guidelines for SMEs around the world to be qualified as responsible?
- Is there proven evidence of supply chains acting as accelerators for the spread of CSR? Do SMEs develop higher standards of CSR practice by dealing with European, North American clients?
- Is CSR a way to economic development and innovation? In other words how can an SME make CSR become part of its core strategy of growth?
- In what sectors of economic activity are SMEs a priori more concerned with CSR?
- Many SMEs that have "practiced CSR" have usually distinguished internal, external and environmental responsible practices. Should or could this distinction be maintained?

#### **b. The Rise of CSR in Turkey: An enduring trend or a flash in the pan?**

*Keynotes speaker: Melsa ARARAT, Director and Faculty Member, Süleyman ASLAN, Deputy General Manager, Halkbank and Devrim Ziya Tavil, SME Banking Director, TEB*

*A short movie will be projected during the Session: "A Turkish Rendez-vous", AFD, 2007*

According to an OECD survey published in 2006, corporate governance is improving in Turkey: the country has strong regulations in this respect. Information provided by publicly traded corporates is improving, international accounting and audit standards are put in place.

However, as in number of other countries CSR reporting is not compulsory. The relative success of CSR may be due to progressing legislation, but more importantly to the accelerated integration of Turkey into international trade and production chains.

- The main question is to understand whether this rise of CSR issues is an enduring trend or will the dichotomy between CSR/cost effectiveness subsist. In other words is CSR slowly been integrated by Turkish firms or is it still mainly driven by external demand?
- Is the large number of family business with cross-shareholdings hampering the rise of CSR issues in Turkey?
- How does the culture of corporate philanthropy in Turkey compare to what is understood by CSR? Are these notions overlapping? If not may corporate philanthropy be an impediment for the progress of CSR in Turkey?
- Are there specific issues to be dealt with when businesses go responsible in emerging economies? What are the best practices regarding CSR in Turkey?
- What are the specific handicaps of the Turkish corporates and in particular SMEs and how can they remedy the situation?
- What is the role of partners, for instance banks providing non-financial services to SMEs, in the incorporation of CSR? How has a financial institution such as TEB incorporated CSR concepts and managed to raise the awareness of client SMEs to it?

**Case study:** A Turkish SME – Best responsible corporate citizen.