

Enterprise and innovation in deprived urban areas
sharing the European experience

The Network partners – Amsterdam, Hamburg, London, Milan and Prague – are all actively developing and implementing policies to promote enterprise in deprived urban neighbourhoods. Through LNet the cities will develop common approaches to realising the economic and social potential of deprived urban areas and practical tools to support enterprise in these areas.

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Corporate Social Responsibility:

How can the private sector promote enterprise and innovation in deprived areas?

This policy bulletin explores the potential of Corporate Social Responsibility (CSR) to help promote positive and sustainable change in deprived urban areas. CSR can be interpreted as the way in which businesses are voluntarily integrating social and environmental concerns in their operations and reporting practices. CSR has in recent years emerged as a key policy priority at the national and EU levels, as increasing competitiveness in the business environment has been accompanied by growing demands for greater social, economic and environmental responsibility in relation to the impact of business. In this bulletin, we look at the definition of CSR and how it has become an EU priority; we explore its manifestations in the countries of the LNet cities, as well as presenting case studies local CSR initiatives.

Defining CSR

CSR is the voluntary contribution of businesses, large and small, to various sustainable development goals, over and above legal compliance with minimum legal requirements: environmental, community-based, world poverty/fair trade, and marketplace and workforce policies. CSR also relates to the way in which these goals are integrated in a business's operations as well as its interactions with stakeholders. At the root of this concept is also a belief that a corporation should be held accountable for any of its actions that affect people, their communities, and their environment.

Companies are increasingly held to account over two aspects of their operations in particular: the quality of their management and the nature and quantity of their impact on society, communities and the environment in various ways. Businesses have developed numerous responses to these demands:

- CSR activities in the field of environment may involve activities such as sustainable production, energy conservation, waste minimisation and recycling.

- Community Investment activities promote economic regeneration in deprived areas through: providing new markets and purchasing locally; running education, training and apprenticeship schemes for local people; creating jobs; and improving local services.
- Companies can help reduce third world poverty through fair trade activities.
- Marketplace/workforce initiatives can involve promoting: flexible working structures; health and safety; equal opportunities; employee consultations and appraisal systems and; good relationships with customers and suppliers.



While the main function of an enterprise is to create value through producing goods and services that society demands, new social and market pressures are gradually leading to a change in the values and in the horizon of business activity, with outside stakeholders taking an increasing interest in the way businesses run their activities. This has resulted in a growing perception among enterprises that sustainable business success and shareholder value cannot be achieved solely through maximising short-term profits, but instead through market-oriented yet responsible behaviour.

CSR and Social Enterprise

Social enterprises have explicit social aims, and limit their profit distribution to activities that support these social aims, either through re-investment in the business, funding of external programmes or profit sharing among co-employees (Social Enterprise London). It could be argued that social enterprises take the CSR agenda “one step further”.

Unlike social enterprises, most mainstream businesses are not driven by an overriding social objective. However, by engaging in CSR activities, businesses can integrate social and environmental objectives alongside other goals, such as profit-making.

CSR and Small and Medium-sized Enterprises

Corporate Social Responsibility is not simply an issue for multinational corporations; the European Union and national governments are increasingly emphasising the importance of CSR for small and medium-sized enterprises (SMEs).

The Commission’s Enterprise DG refers to ‘Responsible Entrepreneurship for SMEs’, a term it feels is better suited to the reality of small and medium-sized enterprises, since the CSR concept and tools developed by large companies are often not appropriate for engaging and communicating with SMEs.

A 2001 survey carried out by the European Observatory for SMEs showed that many SMEs are involved in socially responsible activities without necessarily being familiar with the CSR concept. The European Union’s Responsible Entrepreneurship project, which ended in 2003, produced a good practice directory to give recognition and greater visibility to the societal contribution of SMEs.

CSR: the European perspective

CSR has in recent years moved up the list of EU priorities, particularly as a result of a growing recognition of the role of the private sector in achieving the Union's long term goals of economic growth and social cohesion, namely the Lisbon Strategy. Following a consultation in 2001 on a European framework for CSR, the European Commission published in 2002 a Communication setting out a European strategy on CSR, 'Corporate Social Responsibility: a business contribution to Sustainable Development'. The consultation aimed to address one of the main stumbling blocks for CSR, specifically the difficulty in comparing and evaluating the impact of CSR activities which are taking place, given their voluntary nature. The Green Paper suggested that a European approach or framework, could help increase the coherency and the credibility of the companies' work on CSR. However, much to the disappointment of NGOs, the Commission failed to put forward any proposals for mandatory regulation in the field of CSR.

While socially responsible initiatives by entrepreneurs are not a new phenomenon, the innovation from the European level is the attempt to manage these efforts and develop instruments to promote these, as the value to society of CSR and businesses' duty towards it are increasingly recognised. This presents great opportunities for engaging the private sector in promoting positive social and economic change in deprived urban areas in our cities. In the following sections, we present the different national approaches to CSR in LNet's partner cities, as well as examples of CSR at the local level.

CSR in the LNet Countries

Czech Republic

Since the Czech Republic joined the Organisation for Economic Co-operation and Development (OECD) in 1995, the concept of CSR has gained increasing recognition in the country. However, the spread of CSR has been limited, due to investor pressures, the lack of media interest, and the lack of Government support, programmes and initiatives.

Germany

Traditionally, the CSR role of German companies has been limited to financial contributions and product donations, due, in part, to the centrality of the state in providing social services. However, CSR has become increasingly widespread in recent years. The Ministry of Economic and Labour Affairs has started a campaign to provide best practice information and practical guidelines on CSR, specifically for SMEs, and has also launched a national network which encourages the private sector to engage in CSR activities combating unemployment. Although there are no specific initiatives to promote CSR in Hamburg, the concept is integrated in the city's family and labour market policies, and well as sustainability initiatives. A recent survey by the IfM Bonn showed that more than 80% of SMEs in Germany actively "contribute to society".

Italy

The CSR movement is relatively strong in Italy, partly due to the historical importance of the cooperative movement, as well as rising public and media interest in the subject. There are several initiatives at national level to support CSR, for example schemes to promote best practices and exchange experiences, and networks to disseminate social accountability accreditation systems to businesses.

At regional and provincial level, there are also various schemes which provide training and information to firms about CSR.

For example, the Milan Metropoli Development Agency is currently sponsoring an event, entitled 'Dal dire al fare', set to take place in Milan from 29th September to 1st October 2005. The event aims to provide an arena to debate CSR, and to showcase the impacts of national and regional CSR initiatives. Businesses, public authorities, universities and media representatives from across the EU are invited to attend the event.

Netherlands

An increasing number of Dutch companies are participating in CSR initiatives, in areas such as fair trade and environmental sustainability. At national level, the Dutch government promotes the uptake of CSR by developing support programmes for companies trying to develop CSR-strategies, and by encouraging companies to inform stakeholders about their CSR-activities, as well as about their financial results. At city level, there are currently no policy initiatives specifically designed to promote CSR.

United Kingdom

Many UK businesses are involved in CSR activities. The UK Government runs several initiatives to support Corporate Social Responsibility in the fields of environmental protection, community investment, fair-trade and work-place equality, as well as presenting the "business case" for CSR. At regional level, the Mayor's Economic Development Strategy has, at its heart, a commitment to developing a strong and reliable sense of CSR among London's businesses, as a means to contributing to the competitiveness of capital's economy. A recent publicity campaign has centred on diversity in the workplace.

Relevance of CSR to the Learning Network

CSR activities in the field of community investment, activities by businesses to promote economic regeneration in deprived areas are probably the most relevant to the Learning Network.

Community investment can include: providing new markets and purchasing locally, running education, training and apprenticeship schemes for local people, creating jobs, and improving local services, all actions which can, in turn, *promote enterprise in deprived communities*.

One of the Learning Network's core objectives is to identify ways for local and regional policy makers to support enterprise and innovation in disadvantaged areas and engaging the private sector, both large firms and SMEs, in CSR could be an important way to achieve this objective.

This policy bulletin will consider case studies of local CSR initiatives under the following themes:

1. Encouraging regeneration partnerships: By involving the private sector in economic regeneration partnerships, policy-makers can help attract investment in deprived communities, as well as stimulating entrepreneurship.

2. Promoting the skills for entrepreneurship: By bringing corporate employees and small businesses entrepreneurs into schools, policy-makers can help build among young people the 'soft' skills required for entrepreneurship, such as communication and self-confidence, as well as presenting role models.
3. Promoting employability of the local workforce: Policy-makers can help build the skills of the local workforce through initiatives to promote training schemes and apprenticeships.
4. Encouraging local procurement: Schemes to promote local procurement can help build the business base of deprived communities.
5. Promoting small businesses involvement: Helping local businesses develop CSR strategies can stimulate local employment, grow the local business base and attract inward investment in deprived areas.

Local case studies

1. Regeneration Partnerships

London – Business Brokers Scheme

The Business Brokers scheme, funded by the UK Government, helps Local Strategic Partnerships (LSPs), which include local partnerships of public services, business and voluntary and community groups, to work better with the private sector. Business Brokers support and encourage companies to work with their local communities to tackle deprivation and boost local economies. Since the scheme was piloted in 2002, Business Brokers have been rolled out considerably across the UK.

For example, in June 2004, working with locally-based company, Philips Electronics, the Local Strategic Partnership in the London Borough of Croydon launched 'Croydon Commitment to local businesses'. The initiative makes links between many types of businesses and community organisations and addresses several community themes – such as education and health – which it hopes will, in turn, result in many benefits for the business community.

Prague – 'Golden Angel' Project

The 'Golden Angel' is a high-profile construction project in a deprived area of Prague (Smíchov), which used an innovative public-private partnership to stimulate economic development in the area. The project has since paved the way for other cross-sector regeneration partnerships in the city, as well as serving to attract businesses and investment into Smíchov.

2. Promoting Skills for Entrepreneurship

Amsterdam – Campus New West

Amsterdam's Campus New West programme brings young people, from a deprived area in the west of the city, into contact with corporate individuals allowing them to gain an insight into the world of work and entrepreneurship. The initiatives led by Campus New West include:

- Organising training days, where young people can spend a day 'shadowing' corporate individuals
- Encouraging corporate individuals to work as mentors for young people, in particular, giving advice about CV-writing and interview skills

Due to the willingness of so many companies to participate in these projects, Campus New West has proved very successful.

London – oneLondon Programmes

oneLondon (a subsidiary of Greater London Enterprise, funded by agencies in both the public and private sectors) works to bring private sector individuals into schools, particularly in deprived communities. Direct contact with corporate volunteers and small business owners can help young people acquire the skills they need for entrepreneurship, such as communication and self-confidence.

Examples of recent projects include: 'legal workshops' run by corporate volunteers from the law firm, Clyde and Co, at the Charles Edward Brooke School in the London Borough of Lambeth, and; printing workshops run by a small businesses entrepreneur, who gave an personal account of her experience in setting up her own business.

Prague – HESTIA National Volunteer Centre

The HESTIA National Volunteer Centre organises volunteering projects for the employees of large companies in the Czech Republic; it recently brokered a project for a Czech mobile phone operator which now funds each of its 2000 employees to take part in two-days of volunteering – "4 000 days for the non-profit sector" as the slogan says. Volunteers work with people at risk of social exclusion, such as school children in disadvantaged areas.

3. Promoting Employability of Local Workforce

Hamburg – 'New Chances for Hauptschülerinnen und Hauptschüler'

In Hamburg, pupils graduating from the 'Hauptschule' (with five years of secondary education) face severe problems in accessing vocational training opportunities, compared to the more qualified graduates of the 'Realschueler' (who have six years of secondary education). Four years ago, only 10% of the 3500 young people graduating from Hamburg's Hauptschulen succeeded in obtaining a vocational traineeship on leaving school, causing major youth unemployment, particularly in deprived urban areas.

However, a local initiative', 'New chances for pupils from the Hauptschule', launched in 2001 by Otto GmbH & Co KG and Hapag-Lloyd, succeeded in doubling the number of placements available for Hauptschueler graduates in two years. A brokerage service has been established which works to identify the strengths and weaknesses of the young people, offer specialist coaching and mentoring services, and then, through close co-operation with local companies, support the Hauptschule pupils in searching for apprenticeships. In 2005, 50 companies and all 109 Hauptschulen in Hamburg participated in this project and are now working together to expand the project.

London – the Brokerage Citylink

Through its close relationship with London employers, the Brokerage Citylink provides a pathway for young people, living in deprived communities in London, to access employment opportunities in the capital's business and financial sector. The Brokerage receives significant support from local authorities and City companies, who recognise the benefits of having a workforce that reflects the diversity of their local communities.

City-based firm, Commerz Bank, offers two placements every year to young people, without a university degree. Throughout the two-year traineeship, apprentices study on day or block release at the European College of Business and Management. An initial selection of candidates for the programme is made by Brokerage Citylink, which also works to market the scheme to inner city London schools. Commerzbank's apprenticeship programme has several success stories, where past trainees have moved into senior roles. The two apprentices from the 2002 intake, both of African origin, have secured permanent positions in the compliance and IT departments.

4. Encouraging Local Procurement

London – Local Procurement Project

The Corporation of London – the local authority which looks after London's financial district – emphasises the “enormous potential that local procurement could make to stimulate the economies” of neighbouring areas, including the deprived areas in the City Fringe, as well as the “associated job creation opportunities”. The bulk of all future jobs growth in London is expected to be in the small and medium-sized enterprise (SME) sector rather than through larger firms. As such, the Corporation's Local Procurement Project facilitates the adoption of local procurement by City firms, in order to stimulate the SME economy as the basis of sustainable regeneration in the City fringes and neighbouring areas.

In addition, the Corporation works to develop the capacity of local businesses in the poorer City Fringe districts to meet the City's demand for services such as IT, media, printing, catering and leisure activities for City workers.

5. Promoting responsible behaviour among small businesses

London – Pride of Place Project

The Paddington Waterside Partnership, through its 'Pride of Place' project, assists businesses in Paddington to meet the needs of the local community. The project, funded by London Development Agency, has undertaken a range of initiatives including:

- Advising businesses on devising community involvement programmes
- Organising orientation workshops for new employees
- Arranging workshops hosted by local companies, for local schools
- Bringing in corporate support for socially-focused local events
- Helping local businesses develop Corporate Social Responsibility strategies

In June 2004, 'Pride of Place' established the 'Time for Paddington' website in partnership with the Volunteer Centre Westminster. This promotes employee volunteering in the local community by acting as a broker between volunteers and organisations. Team challenges involve practical work, outings or business-orientated

training. Since 1 August 2003, the website has attracted 89 volunteer registrations and established 12 major employers as partners. 35 different organisations on the website offer over 100 different volunteering opportunities.

Milan – REBUS Project

Milan's REBUS Project, 'Relationship between Business and Society, and European Investigation in CSR', which is funded by the European Commission, aims at exploring the attention paid by SME managers to the concept of CSR, as well as promoting the exchange of experiences and best practices.

Concluding remarks

Better understanding of the potential benefits of CSR for the competitiveness of individual companies and for national economies can help encourage the spread of CSR practice. While CSR remains voluntary in its implementation, there is a wide scope for policy makers to encourage its use for the enhancement of sustainable economic, social and environmental development, particularly in deprived urban areas.

Critical elements for the success of the CSR initiatives presented were:

- a strong level of commitment from key people from the public and private sector
- a shared vision of the values and benefits of CSR and their integration into the business and its culture
- the incorporation of CSR considerations in the core business, management mechanisms and operational process as well as policies
- finally communication is a key element for the success of CSR, in enhancing the visibility of CSR but also encouraging greater involvement of businesses.

The public sector has a role to play in encouraging CSR and this can be done in various ways, including:

- Facilitating through incentives, non-binding guidance, awareness raising;
- Partnering by combining public resources with those of business to leverage complementary resources;
- Endorsing and showing support for CSR performing companies "leading by example" through public sector procurement practices;
- Mandating – laws, by laws, regulations and penalties pertaining to the control of some aspect of business investment or operations.

Please visit the LNet website: www.thelearningnetwork.net
