

# **IMCSM Proceedings**

ISSN 2620-0597

**Volume XV, Issue (1), (2019)**

An international serial publication for theory and  
practice of Management Science



**Editor-in-Chief: Prof. dr Živan Živković**

**Published by University of Belgrade, Technical Faculty in Bor,  
Department of Engineering Management**

**Bor, 2019**



**Conference is financially supported by  
the Ministry of Education and Science of  
the Republic of Serbia**

**Konferencija je finansijski podržana od  
Ministarstva prosvete i nauke  
Republike Srbije**



**The conference is supported by the international Visegrad Fund (V4), <http://visegradfund.org>, in the form of the International research project “How to prevent SMEs failure (Actions based on comparative analysis in Visegrad countries and Serbia)”, S/N: 21820267**

**Konferencija je podržana od strane međunarodnog Višegrad fonda (V4), <http://visegradfund.org/>, u formi projekta “How to prevent SMEs failure (Actions based on comparative analysis in Visegrad countries and Serbia)”, s.b: 21820267**

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International May Conference on Strategic Management (IMCSM19)

**Edition:** IMCSM Proceedings; Volume XV, Issue (1) (2019)

**ISSN 2620-0597**

**Publisher:** University of Belgrade, Technical Faculty in Bor, Management Department

**In front of the publisher:** Prof. dr Nada Štrbac, Dean of Technical Faculty in Bor

**Editor-in-Chief:** Prof. dr Živan Živković, Technical Faculty in Bor

**Technical Editor:** Asst. prof. dr Nenad Milijić, Technical Faculty in Bor

**Technical Co-Editor:** Assoc. prof. dr Predrag Đorđević, Technical Faculty in Bor

**Published in 150 copies**

**Bor – May 2019**



## THE FUTURE OF ECO-ENTREPRENEURSHIP: THE EXPERIENCE OF THE EU AND OPPORTUNITIES IN RUSSIA

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**Abstract:** The development of environmental entrepreneurship is dictated by the time and current conditions of interaction between industry and the environment. Multi-aspect approaches to the development of eco-entrepreneurship in business practice and among different groups of stakeholders, involves an extended study of this issue on the basis of benchmarking studies of the successful activities of developed European countries and the study of the potential of formation, taking into account the characteristics of Russian companies.

According to the research results, the main models of eco-entrepreneurship of small and medium-sized businesses are presented, the motivation of entrepreneurs is determined taking into account two target groups (existing entrepreneurs and future young entrepreneurs). The article presents the effectiveness of the results of teaching environmental entrepreneurship among University students who participated in the project “Developing Green Skills for Entrepreneurship and Business Based on the EU Experience” which takes place with the financial support of the European Commission's Jean Monnet Program.

**Keywords:** eco-entrepreneurship, small and medium business, European practice, motivation of eco-entrepreneurs

### 1. INTRODUCTION

The environmental aspect of sustainable development has been fundamental for economic activities in different countries and regions, a topic of discussion among scientists and experts in the area. However, today the approach needs transformation, and this transformation must be based on previous experience and realistically evaluate future problems amid rapidly changing global conditions. It should involve all the stakeholders in the development process, individuals, companies and general public, governments and the global community.

These changes have already been seen on the global scale and reflected in the UN new sustainable development agenda through 2030 passed in 2015, which sets seventeen key goals [1]. Those are specific goals for the next fifteen years focusing on areas including human dignity, regional and global stability, healthy planet, building just and sustainable societies, and flourishing economies of all nations.

The sustainable development agenda prepared by the Independent Research Forum (IRF2015) suggests new principles and approaches for the sake of integration of economic, social and environmental grounds of sustainability. The authors have presented transformation

elements allowing bringing the countries development to the whole new level [2]. The core of this transformation is changes of business models of companies, streamlining coordination among individuals, organizations, and governments, growing investment in sustainable development, including through the industry 4.0 promotion. Filling the gap between beneficiary countries and donor states in combination with the increasing influence of the private sector and civil society, calls to a new and global agreement allow reaching a better result in solving global problems.

On these grounds, in 2016, the analytical center with the Russian government presented a report on human development in the Russian Federation called, “Sustainable Development Goals of the UN and Russia,” reflecting possible adaptation of provisions adopted by the UN with due regard to the country development specifics [3].

Nevertheless, it is worth mentioning that regional aspects in the national economy development have been playing a key part more often, which is noted in different research papers and documents, passed on the federal level. In Russia, that stems from disproportional development of its regions, which is a pressing issue for the environmental focus of sustainable regional development.

Khanty-Mansi Autonomous Area-Yugra is a strategic region of Russia. Its core is oil and gas producing companies. There are 59 major industry players known beyond Russia (Lukoil LLC, BP PJSC, Sibur PJSC, etc.), As of January 1, 2018, as many as 256 fields were being operated here [4].

Fact-based analysis of international experience of the European Union nations and outlooks of environmental entrepreneurship development are of great interest to promote this trend in Russia, and in Khanty-Mansi Autonomous Area -Yugra in particular. Thus, the priorities defined for the strategic development of the region in 2020-2030 are as follows [5]:

- prioritizing the green economy development (preventing from doing harm to the environment and vital interests of the population through innovative tools of the green economy application);
- forming the “Lean Region” concept (rational and safe use of available environmental and resource potential);
- SME promoting in the region (streamlining innovation policy, mainstreaming small and medium enterprises in the economy).

Promoting environmental entrepreneurs among small and medium businesses is aimed at forming possible ways to transit to an innovative model to secure increasing growth rates of production, as well as possibilities to meet the needs of both current and future generations, which allows preserving the environment among other things. Administering such development within the socio-economic policy of the region should be with due regard to transformations in the management system and in compliance with the effective international provisions.

## **2. THE EU EXPERIENCE IN PROMOTING ENVIRONMENTAL ENTREPRENEURSHIP**

Analyzing activities of European nations in general, it can be said that environmental entrepreneurship promotion has been a priority in national policies. Moreover, they give SMEs a crucial part in this process, thus securing the growth of environmental innovations and driving environmental initiatives.



The *Green Action Plan* (GAP) unveiled by the European Commission underlines the frameworks and the course of development for small and medium enterprises. Its highlights are boosting the efficiency of resource use by companies; supporting green entrepreneurship; and providing environmental entrepreneurs access to the markets [6].

From materials we have studied [6,7,8], we might define a range of measures implemented by a state as follows:

- Tax privileges (accelerated cost recovery system, lower property tax interest);
- Environmental awards and grants;
- The EU environmental marking;
- Industrial environmental certification (“green standards”);
- Environmental management system (standards);
- Information support, consultative assistance and education;
- Online websites providing recommendations (Green Econet) [9].

In our opinion, Scotland’s experience in integrating government support in different forms offers the most interesting scenario, which allows boosting the efficiency of environmental entrepreneurial activities.



Figure 1. The sequence of support programs for sustainable small and medium business building in Scotland [6]

The gradual nature of the greening process allows securing sustainable and efficient development of small and medium businesses and their growth in future.

The European practice focuses on creating environment-focused SMEs in areas including environmental pollution, clean and renewable energy, eliminating and reducing food waste and market inefficiency resulting in wasting about 33%-50% of global food production annually. Eco-tourism and other crucial economic sub-sectors capable of generating employment, promoting local development and fostering creativity in the area are also deemed to be the most responsive fields for green startups [8].

Exploiting the potential of social entrepreneurs in the EU is another field of the greening policy.

The report of the International Institute for Sustainable Development called, “Social and Environmental Enterprises in the Green Economy”, in our opinion, competently elaborates on several key provisions of the area development, with highlights as follows:

- it is necessary to harmonise macro-strategies and micro-strategies of small and medium businesses as the green economy of social entrepreneurs is better built when interests of local communities are regarded;
- the essential role of social and environmental enterprises in cementing sustainability and innovative project development is highlighted;
- the need of further education to build sustainable business models is defined [10].

On the premises of the first provision above, it is obvious that each country and each region will have their peculiarities and considerably different levels of development for different sectors involving social entrepreneurs, which is conclusively proven by our research, too. Conducting benchmark analysis of social entrepreneurs' activities in Russian and European countries, we may conclude that there are much more environmental projects in the EU (17% vs. 4 %). Moreover, the table below shows that this field is one of crucial areas, and it is number two by volume in the overall number of social enterprises, outstepped by service for socially vulnerable population only (see Table 1).

Table 1. Benchmark analysis of areas of activities of social entrepreneurs in Russia and European countries [11,12]

No.No.	Areas of business/ activity	% in the overall number of companies, Russia	% in the overall number of companies, the EU
1	Children: pre-school organizations	19	N/a
2	Employment of socially vulnerable groups of population	14	9
3	Children: other	13	4
4	Healthcare	10	4
5	Leisure	9	
6	Services for socially vulnerable groups of population	9	22
7	Geriatrics	6	3
8	Products for people with disabilities	5	N/a
9	Culture and education	5	16
<b>10</b>	<b>Ecology</b>	<b>4</b>	<b>17</b>

Analyzing activities of entrepreneurs on the regional level, in Khanty-Mansi Autonomous Area-Yugra, it can be said that there are no data on social services in the field of environmental protection. However, the studies we conducted to learn about prospect consumers of products and services demonstrate high level of concern about the issues of environmental pollution and environmental safety among the population [13].

Considering the current level of development of the green economy, European Environment Agency (EEA) highlights that the green growth is not just a preferable approach to economic development. It is rather the only way to support efficient economic activity in the long run.

If the global GDP grows by 3% annually, in a century the world economy will be almost 20 times larger than it is today. Even today people appropriate over half of available fresh water and exploit the highest-quality soil resources, discharge huge amounts of

contaminating agents, greenhouse gases and waste. The global community is at risk of crossing the crucial environmental lines, resulting in serious and irreversible damages to all ecosystems [8]. Brown growth, which destroys our natural systems, cannot be justified with evident benefits it offers. In the end, it will compromise general welfare of the global community.

Green entrepreneurship should be fostered by helping prospect entrepreneurs in finding business opportunities that stem from their transition to resource efficient, low-carbon economy, including through new forms of cooperation between the business and scientific community [14].

Transitioning to fundamental principles of the green economy shaping is rather obvious on the one hand, but on the other hand, it has many restrictions preventing from its integration into actual activities of communities even today.

One of the challenges is insufficient training of managers and entrepreneurs capable of making environmental innovations, creating an environmental business and securing its sustainable growth in future.

### **3. MOTIVATION AND TRAINING OF ENVIRONMENTAL ENTREPRENEURS OF THE FUTURE**

To successfully acquire and deepen the latest advanced knowledge in the green economy, there is a need to ensure staff training that should have both basic management skills and specific professional “green skills” [15]. Efficient distribution of innovations also depends of motivation of chief executives, entrepreneurs, and government agencies that must be aware of the importance of sustainable growth, capabilities of the green industrial policy as competitive strength booster, a source of new jobs, added value for consumers and better life for communities.

We have conducted a benchmark analysis among current entrepreneurs and young people (graduate university students) in the region, who plan to open their business in future, to learn about their motivation in terms of establishing an environmentally focused enterprise (See Table 2). Equal amounts of data of target groups (60 respondents) were used in the survey.

Table 2. Motivation of current and future entrepreneurs in developing environmental entrepreneurship

Motivation factors	% of current entrepreneurs choosing the option	% of future entrepreneurs choosing the option
Making financial profits	51	60
Self-expression through innovations	22	18
Doing good for community through environment protection	26	34
Personal values actualization	28	36
Desire to implement new projects	27	34

The results of the poll make it obvious that the profit motivation is the top priority, while personal values and desire to benefit for the community and protect the future are essential motives, too. Therefore, we need to pay more attention to the promotion and

efficiency of doing environmental and sustainable business as well as developing forms of government support.

Additionally, we asked our young respondents whether they were ready to open their environmental business at the moment.

Table 3. Evaluating young people readiness to create a green business

Results	Comments
15% answered positively	- I have been trying to develop this area while organizing my business; - Only if I have a reliable investor.
85% answered negatively	- I would rather not do such business (13%); - That business is too complex for young entrepreneurs (8%); - In future, having promoted my main business, I would probably consider such an option (17%); - Some ideas can be used and implemented (8%); - Provided I have a good team, I would develop an environmentally focused business (8%).

In our opinion, transformation of the educational paradigm can change the situation in future green entrepreneurs' development in Russia. And in this article we would like to quote a positive case of implementing a project called, "Developing Green Skills for Entrepreneurship and Business Based on the EU Experience" No. 587650-EPP-1-2017-1-RU-EPPJMO-MODULE which takes place with the financial support of the European Commission's Jean Monnet Program.

The project was implemented at Nizhnevartovsk State University. Its key goal is studying the EU nations' experience of building the green economy, developing environmental entrepreneurship to help train the next generation of chief executives and specialists interested in enabling transformations on the way to sustainable future.

A multi-profile educational approach allowed high-quality distribution of information about possibilities of using the European experience in developing the concept of environmental and sustainable entrepreneurship among students. The result of student training under the educational course was 16 business plans designed in the area of environmental entrepreneurship. Within past two years, these projects were pitched at the "Best Student Business Idea" contest organized by Yugra Entrepreneurship Support Foundation in line with the Program of "Small and Medium Business Development". Expert commissions give high evaluation to environmental business projects, which are the contest winners, and help find investors to implement the projects.

A holistic approach to forming green skills in managers will allow young managers and entrepreneurs to approach the choice of eco-initiatives consciously, commercialize new green innovations, build a sustainable corporate culture, and make leadership decisions on the basis of social values.

#### 4. CONCLUSION

Transformation of entrepreneurship must be built on harmonization of different subsystems—social, economic, and environmental—and be aimed at creating possible ways of transition to an innovative model to support the increasing production growth rates and capabilities to meet the needs of both current and future generations, with the environment

preservation among other things. Managing such development should take into account changes in the government regulation and be in line with effective international provisions within a regional socio-economic policy pursued.

As an environmentally focused business requires pro-active, holistic and long-term development position of entrepreneurship, we need to pay special attention to building the new generation of future businessmen and businesswoman by promoting environmental consciousness, social values, innovative thinking and leadership that allow making efficient managerial decisions in green economy.

### ACKNOWLEDGEMENTS

This paper was funded by the project “*Developing green skills for Entrepreneurship and Business based on the EU experience*” No. 587650-EPP-1-2017-1-RU-EPPJMO-MODULE which takes place with the financial support of the European Commission’s Jean Monnet Program. The content of this paper reflects the opinion of the authors, while the European Commission is not responsible for the use of the views and opinions presented in the paper.

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