

## **The limits to best practices: Convergence and path dependence in Corporate Responsibility practices in Central-Eastern Europe**

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### *Abstract*

This paper will describe how the emerging institutional, market and legal frameworks determine the scope of CR strategies and practices in transition economies. It will analyze the drivers and impediments to CR in terms of a conflict between *convergence* to developed market democracies supported by new market institutions, democratic legal structures, the accession to the European Union, the presence of multinational companies and *path dependence* determined by the process of wealth accumulation in which the stakes are allocated and the rules of the game determined, the strong informal links between politics and large domestic businesses, and the role of social and cultural factors that characterize a distinct Central Eastern European capitalism where no well defined boundaries exist between the public and private sectors. The paper will argue that CR strategies are closely linked to the issues of corporate governance; and best Western practices, while making organizational differences between domestic and multinational companies more visible, may not offer the best sustainable CR strategies in the region. CR is one solution to overcome market imperfections by voluntary business actions in developed countries and it needs to be reevaluated in transition countries in order to make an impact on society: CR is also perceived as a business initiative to respond to failures in the social functions of the state. A second wave of modernization (updating laws, closing loopholes, redefining institutional roles and conducts more precisely) is needed for institutionalizing CR among the business players and make it effective in the region.