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Three Corporate Social Responsibility (CSR) Models in New European Union Member States and Candidate Countries

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Summary

The UNDP "Baseline Study on CSR Practices in the New EU Member States and Candidate Countries" found some common attributes of CSR practices and important cross-national differences in the eight countries covered by the study: Lithuania, Poland, Slovakia, Hungary, Croatia, Bulgaria, Macedonia and Turkey. These differences were seen as a consequence of a number of historic and social factors: the socialist heritage; the awareness, ability and organizational power of non-governmental organizations (NGOs) to advocate for corporate social responsibility (CSR) in business communities as well as the governmental structure and the role of media. This UNDP study also demonstrated that international organizations such as the UNDP and the Global Compact Initiative played a key role in CSR promotion and development in these countries.

This paper uses UNDP and other existing research findings and takes them a step further by distinguishing between three distinct developing CSR models in new EU members and candidate countries. The objective of this paper is to create an explanatory model for regional differences in the theory and practice of corporate social responsibility (CSR). The model can be applied to old and new EU member states and candidate countries. This model emanates from four key theoretical concepts: (1) Peter A. Hall and David Soskice's varieties of Capitalism, (2) Andre Sapir's paradigm of pluralism of European social models, and (3) Laura Albareda, Josep M. Lozano and Tamyko Ysa's analytical framework for public policies for CSR promotion, and (4) David Vogel's "market for virtue."

The three distinct CSR models are the following. First, new Central European model, characteristic for Czech Republic, Slovakia, Poland, Hungary, Slovenia and Croatia includes the elements of Central European model (coordinated CSR) and rudimentary aspects of Communist/socialist model of CSR. Second, Baltic model (Estonia, Latvia and Lithuania) is a combination of Nordic and Communist/socialist model. Finally, Western Balkan model is the least developed one in which the Communist/socialist CSR model has been dismantled, but the new paradigm of social policies, market economy, and with that, modern CSR approach are yet to be fully developed.

In its final section, this paper looks at the potential for further development of CSR in this group of countries. It analyzes three catch-up strategies: imitation and implementation (I-I), creative imitation and implementation (C-I-I), and critical analysis, innovation and implementation (C-A-I-I). It concludes that C-A-I-I strategy would be the most effective for key CSR stakeholders and advocates in New Europe to pursue.

Keywords: CSR, CSR models, New EU member states and candidate countries, Croatia

Introduction

A cursory overview of theoretical and empirical literature on corporate social responsibility (CSR) practices in Europe reveals lack of interest for New Europe -- twelve new and seven potential members of the European Union (EU).[1] There are several reasons why some of the leading

[1] Potential member states for the purposes of this analysis include Albania, Bosnia and Herzegovina, Croatia, Montenegro, Kosovo, Macedonia and Serbia. For simplicity, in this paper the term "New Europe" will be used extensively to depict the new member states and these selected aspiring members. Turkey has not been included in this analysis as its CSR model, based on a number of religious and cultural specificities, is very different from these other countries. Jawaed Akhtar Mohammed wrote an excellent PHD thesis describing a complex relationship between Islam

CSR scholars have not yet studied extensively these countries. Some of these countries have only recently joined the EU – Poland, Czech Republic, Hungary, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Malta, and Cyprus joined the Club in 2004, Bulgaria and Romania in 2007 -- while other Balkan countries are in different stages of accession negotiations, or waiting for the invitation to open them. In addition, CSR practices in these countries are only in initial stages of development, and there is a lack of reliable data on CSR as local research communities are still relatively small and dispersed.

There is, however, a large body of comparative cross-national and cross-regional research on CSR focused on comparisons between the EU/Europe and others. Most frequently such comparisons are between the European Union/Europe and USA (Aguilera et al. 2006, Doh, and Guay 2006, Enderle 1996, Hartman et al. 2007, Lofstedt and Vogel 2001, Palazzo 2002), EU and Asia/China (Shen 2004, Welford 2005) and EU – Japan (Fukukawa and Moon 2004).[2] There are only a few cross-national and sub-regional comparative studies within EU or comparative studies among old, new, and potential members of the Union.

While the focus of mainstream CSR European academics and researchers on New Europe is still limited, the interest of the European Commission (EC) and some of the United Nations agencies for these countries has been significant and serves as an important empirical basis for this paper. For example, the World Bank team under the leadership of Piotr Mazurkiewicz, with financial support of the EC, conducted field studies and published several papers on the Central and Eastern European private sector views on CSR (World Bank, 2005a, 2005b, 2005c, and 2006).

After selecting CSR as an important area for the overall development of the region, United Nations Development Program (UNDP) has played an even more active role through its Regional Bureau for Europe and the CIS. UNDP's CSR mission is housed within the organization's broader objectives: "UNDP's Regional Bureau for Europe and the CIS assists a remarkably diverse region that stretches from the heart of Europe to the Silk Road. These countries face a range of human development concerns, and UNDP is uniquely placed to help partners in government, civil society and the private sector to meet these challenges."[3] Within the regional project "Accelerating CSR practices in the new EU member states and candidate countries as a vehicle for harmonization, competitiveness, and social cohesion in the EU", funded by the EC and the UNDP, an excellent study was published in 2007: "Baseline Study on CSR Practices in the New EU Member States and Candidate Countries."[4]

This paper uses these and other existing research findings to distinguish between three distinct developing CSR models in new EU members and candidate countries. The attention of this paper is solely on 12 countries which joined the EU in the beginning of this century as well as on the countries that have an opportunity to join in the future. However, in order to truly grasp the ongoing CSR processes in New Europe, one has to understand CSR phenomena in old Europe, those member states which joined the Club in the previous century.

There are four key assumptions on which we base the explanatory model developed in this paper. First, to understand CSR trends and developments in New Europe, in addition to using vertical conceptualizations of CSR – as for example excellently elaborated by Dirk Matten and Jeremy Moon in a series of theoretical discussions on differences between implicit and explicit CSR (2004), it is essential also to analyze horizontal, i.e. sub-regional, cross- national and cross-cultural differences in theory, practice and public policy of CSR in Europe.[5]

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and CSR, "Corporate Social Responsibility in Islam."
http://repositoryaut.lconz.ac.nz/bitstream/10292/354/1/MohammedJ.pdf.

[2] The term region in this context is used to desribe wider economic or geographic communities and markets such as Europe, United States, Australia, Russia or Africa.

[3] http://europeandcis.undp.org/

[4] Mark Line and Robert Braun led the multinational team of researchers for the study's field work and were its principal authors.

[5] The concepts of implicit and explicit CSR correspond to Simon Zadek's dichotomy based on regulation type as he distinguishes between "civil" and "state regulation" (2007) or to "mandatory" and "voluntary CSR" typology (European Commission. 2001).

Second, an analysis of these horizontal differences in CSR field demonstrates that the idea of one European CSR model is more a myth than a reality, even though in the future convergence will have to take place.[6] Third, same as Old Europe, New Europe also demonstrates significant sub-regional and cross-national differences in CSR models.

Finally, the process of adoption of CSR ideas, public policies and corporative practice in New Europe is also not uniform. It depends on several factors: (a) role and approach of EU and UN agencies to stimulating CSR in these countries, (b) gravitational role model: a specific country or a group of countries to which institutional and economic development of a New Europe country is directed towards, and (c) catch-up strategy of CSR development which a country or a group of country selected or has been imposed.

Our explanatory model for New Europe is eclectic as it attempts to explain CSR phenomena in those countries through the application of theoretic paradigms which have been developed to analyze general economic, institutional and developmental processes as well as some CSR-specific theories. The model uses four key theoretical concepts: (1) Peter A. Hall and David Soskice's varieties of Capitalism (2001), (2) Andre Sapir's paradigm of pluralism of European social models (2003 and 2006), (3) Laura Albareda, Josep M. Lozano and Tamyko Ysa's analytical framework for public policies for CSR promotion (2007), and (4) David Vogel's "market for value" (2005). Thus, it is important to briefly explain the key elements and assumptions of each of these concepts.

Table 1: Two Varieties of Capitalism

Area	CME – Germany	LME – USA
Financial System	Depend on dense network and Reputations	Depend on publicly available Information
Internal Structure	Consensus decision making; top manager, shareholder, major supplier and customers, etc.	Top managers' capacity for unilateral action
Industrial Relations	Industry- level bargains between trade unions and employer associations	Market relationship between individual worker and employer
Education and Training Systems	Supervised by trade unions and employer associations; industry (or firm)- specific skills	Formal institutions provide training; general skills
Inter- Company Relations	German institutions support forms of relational contracting and technology transfer	Standard market relationship and enforceable formal contracts

Source: Masahisa Endo: Memo on Hall and Soskice
http://falcon.arts.cornell.edu/Govt/courses/F05/685/Week%209%20Hall%20Soskice.pdf

1. Varieties of Capitalism

After the fall of Communism and the end of dichotomy of market vs. command economy which dominated comparative analysis for seventy years, the focus switched to the differences among capitalist systems.

One of the first and very influential analytical paradigms of the latter focus was Hall and Soskice's book *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (2001) in which authors observe the existence of two subsets or varieties of Capitalism in the sense of Weberian ideal types.

[6] A number of studies already reveals that Great Britain's membership in the EU has brought into question the conventional thesis about Anglo-American models of CSR and corporate governmance, as Great Britain's CSR practices are gradually moving away from US towards those of other EU countries. Cynthia Williams and John M. Conley in their paper "An Emerging Third Way?: The Erosion of the Anglo-American Shareholder Value Construct" question the argument about existence of "Anglo-Saxon corporate world." They demonstrate that even though the US and the UK still share "corporate law values", Great Britain has for some time been developing the "third way" in the field of CSR theory, policy and practice (Williams and Conley, 2004: 2-4).

"Liberal Market Economy" (LME) which can be found in the US, represents the first, and "Coordinated Market Economy" (CME), characteristic for Germany, the second variety of Capitalism. Thus, belonging to one of these two varieties of Capitalism affects how a company as a key market player resolves all issues of coordination in five areas of corporative activities -- (1) industrial relations, (2) vocational training and education, (3) corporate governance and finance system, (4) inter-firm relations, and (5) internal and organizational structure (see Table 1).

We can apply this concept on the topic of our paper because these two varieties of Capitalism also have different effects on the potential sixth corporative activity: CSR. However, on its own, this analytical framework alone is not adequate for conceptual and empirical classification of CSR varieties in Europe.

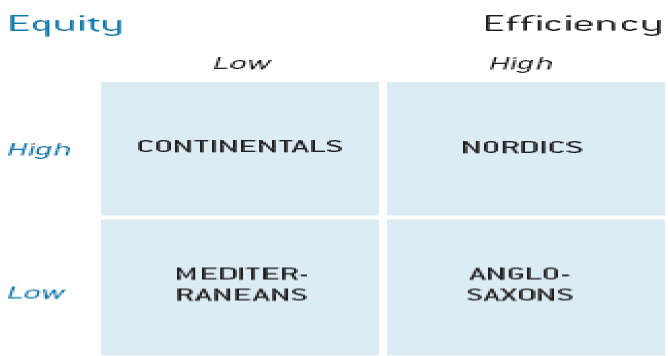
2. Varieties of the European social models

André Sapir, Belgian economist and former economic advisor of the EC President Romano Prodi, questioned the thesis and myth about monolithic European social model.[7] In September 2005 he made a presentation "Globalization and Reform of European Social Models" for the meeting of The Economic and Financial Affairs Council (ECOFIN) in Manchester which later led to several publications on this topic.[8]

Sapir distinguished between four European social models (ESM) which lead to very different economic and social performances. First, the Nordic model (Sweden, Denmark, Finland, and the Netherlands) has the highest level of spending on social protection and public welfare. In this model, labor markets are relatively unregulated, but there is a presence of strong labor unions leading to high wages. Second, the Anglo-Saxon model, exemplified by Ireland and the United Kingdom, is characterized by social assistance of last resort (mainly focusing on people of working age), weak unions, and a relatively unregulated labor market. Third, the Rhineland model (Austria, Belgium, France, Germany, and Luxembourg) relies on social insurance for the unemployed and strong employment protection and has powerful unions and collective bargaining mechanisms. Fourth, the Mediterranean model (Greece, Italy, Portugal, and Spain) displays high levels of benefits for seniors, early retirement ages, and heavy labor market regulations.

Sapir also ranked these social models across two variables, of economic efficiency and social justice, as shown by the scheme below (2005: 9):

Figure 1: Typology of European Social Models



Sapir considers economic growth as a key priority for the EU, taking precedence over other objectives such as social security, equity, and CSR. To achieve high economic growth, he believes that the EU member states have to reform their labor markets and social policies.

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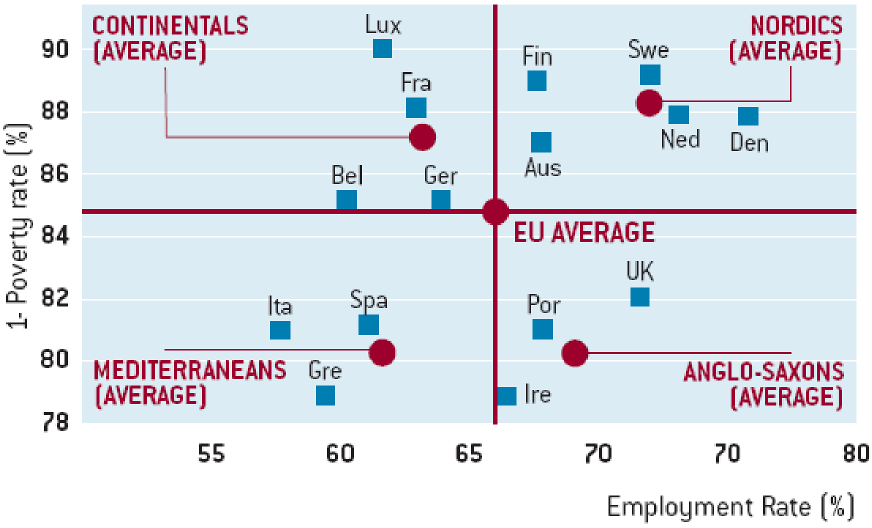
[7] Sapir is perhaps most known for editing a large economic study on European economy, published in 2003, which is often referred to as Sapir's report. It is available at http://www.euractiv.com/ndbtext/innovation/sapirreport.pdf

[8] Summary below is based on his article published in *Journal of Common Market Sudies* in June 2006.

These reforms are particularly necessary in the member countries belonging to Mediterranean and Rhineland models. Sapir considers Scandinavian model as superior because it demonstrates that it is possible to have equity, high employment and production growth in the countries with high level of social solidarity (2206: 8).

Figure 2: Employment Rates and Probability of Escaping Poverty



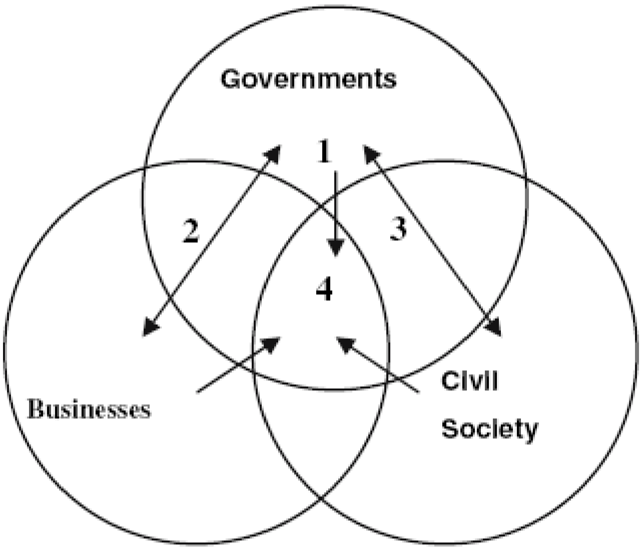
Sapir's ESM classification is limited to 15 countries of old Europe. This approach is similar to that of Frederic L. Pryor who studied OECD countries and found four distinct clusters of European countries. Three of them – South European, West European and Nordic -- he considers as relatively homogeneous and stable, while the last one, Anglo-Saxon he sees as heterogeneous and unstable (2005). Pryor acknowledges that some of the countries do not conform entirely to this four cluster classification so he also offers alternative divisions into five or even six clusters (2005: 10).

3. Varieties of public policies in the field of promoting CSR

In addition to differences in their models of Capitalism and ESMs, European governments also utilize very different policies for CSR promotion as Laura Albareda, Josep M. Lozano and Tamyko Ysa (2007) clearly demonstrated in their seminal study. The authors looked at several aspects of CSR promotion policies: national public policy on CSR (vision, mission and objectives); government departments assuming responsibilities for CSR policies; institutional and relational support from existing international agreements; regulation in its diverse forms; organizational structure for CSR policies; actors in the process; socioeconomic, political and cultural context, and administrative tradition (Albareda et al., 2007: 394-395):

They have also classified European public policies in four groups based on their direction: (1) CSR in governments: CSR public policies developed by governments to improve their own social responsibility; (2) CSR in government-business relationships: CSR public policies designed to improve business CSR practices; (3) CSR in government-society relationships: CSR public policies designed to improve civil society stakeholders' awareness, and (4) Relational CSR: CSR public policies designed to improve collaboration between governments, businesses and civil society stakeholders (Albareda et al., 2007, 395). The interplay of these four types of policies can be demonstrated in Figure 3:

Figure 3: Relational Model for CSR Public Policy Analysis



1. CSR in governments
2. CSR in government-business relationships
3. CSR in government-society relationships
4. CSR in government-business and society relationships

Using empirical analysis of initiatives and policies for CSR promotion in 15 EU countries, the authors identified 46 different policies and by grouping them under common denominators, and found four ideal types of CSR public policies: partnership, business in the community, sustainability, and agora models. The groups of countries belonging to these four distinct models of CSR policies are very similar and complementary with the clustering within varieties of Capitalism and ESM classifications.

Table 2: European Models of Public Policies for CSR Promotion

Model	*Characteristics*	*Countries*
Partnership	Partnership as strategy shared between (governmental) sectors for meeting socio-employment challenges	Denmark, Finland, the Netherlands, Sweden
Business in the community	Soft intervention policies to encourage company involvement in governance challenges affecting the community (entrepreneurship and voluntary service)	Ireland, the United Kingdom
Sustainability and citizenship	Updated version of the existing social agreement and emphasis on a strategy of sustainable development	Germany, Austria, Belgium, Luxembourg
Agora	Creation of discussion groups for the different social actors to achieve public consensus on CSR	France, Italy, Spain, Greece, Portugal

Source: Albareda et al., 2007: 401

4. Market for Virtue

David Vogel developed a simple yet very powerful concept which is also important for analyzing CSR varieties in new member and candidate countries. Vogel argued that corporations' supply of socially responsible behavior depends mostly on their existing and potential customers' demand for "virtue" within firm's products and services (2005). If customers are willing to reward companies which integrate CSR in their business models by paying higher price for their products, these companies will have clear market incentives to continue providing such products and services.

Vogel reviewed opinion polls and customer behavior to conclude that citizens of contemporary societies, even those with high ecological and social consciousness, are still not ready to pay higher prices for CSR products and services. European survey in 2004 is one example which demonstrates significant discrepancy between nominal and actual support for CSR: "while 75% of consumers indicated that they were ready to modify their purchasing decisions because of social or environmental criteria, only 3 percent actually had done so" (2005: 48). Eurobarometer surveys can shed light on the European "market for virtue," primarily in terms its ecological and social considerations, and point to cross-national and regional differences in Old and New Europe countries.

5. Explanatory model for Varieties/Models of CSR

These four elements – varieties of Capitalism, ESMs, public policies for CSR promotion, and the conditions on "the market for virtue" – can serve as a basis for classifying European countries into distinct clusters in terms of their CSR approaches and practices. This can be expressed with a following formula:

VOCSR = f (VOC, VOSM, VOPP, MV)
VOCSR = Varieties of Corporate Social Responsibility
VOC = Varieties of Capitalism
VOSM = Varieties of Social Models
VOPP = Varieties of Public Policies in the Field of Promoting CSR
MV = existing conditions of "the market for virtue"

In addition to these four key factors, differences in culture, values, traditions, beliefs, and social capital in general in a specific country or groups of countries also affect CRS practices. However, as these cultural forces already have an impact on each of four key factors, they were not included as a separate element in the formula. The role of international players such as UNDP, United Nations Industrial Development Organization (UNIDO), WB and EU in CSR development in New Europe should also not be discounted. However, as these organizations approached New Europe countries uniformly and have not developed country-specific strategies for promoting CSR, they did have not critical influence in determining adopted CSR model, and their role for that reason has not been included in the formula.

Based on this formula, one can distinguish seven CSR varieties in Europe. Four of these varieties exist in Old Europe: the Nordic model, the Anglo-Saxon model, the Central European model and the Mediterranean model. These models correspond to group of countries which Sapir identifies as belonging to specific ESMs, and Albareda, Lozano and Ysa as having different public policies for promoting CSR. Gilbert Lenssen and Volodja Voroby (2005) looked at cultural determinants of CSR only to arrive to a very similar conclusion. They distinguished between four CSR systems in Old Europe: "The Anglo-Saxon system" (UN, Ireland), "The Dutch/Scandinavian system" (Nordic countries plus Holland), "The Latin system" (France, Belgium, Italy, Spain), and "The German System" (Germany, Austria, German-speaking Switzerland).

6. CSR Models in New EU Member States and Candidate Countries

For countries of New Europe, the first two factors, varieties of Capitalism and social models account for most distinctive differences that enable clustering of these countries in several models of CSR approaches and practices. The government involvement in all of these countries is still limited, and mostly coming as a result of the engagement and support of inter-governmental organizations such as UNDP, WB, UNIDO or EC.

In New Europe, regulative frameworks for CSR play a much more determining role than in old Europe countries because other factors that usually motivate companies to behave responsibly are not as strong, as the market for virtue still does not fully reward companies based on their commitment to CSR practices. The role of other stakeholders in these countries, such as the NGOs, academia, or the media in CSR field is still limited. The results of UNDP study summarized in a table demonstrate this limited institutional framework and infrastructure for CSR development in New Europe.

Table 3: Institutional infrastructure for CSR

Country	No of business schools with CSR courses	No of NGOs focused on CSR	No of journals covering CSR	Involvement of government in promoting CSR
Bulgaria	4	15	8	No official CSR position in government
Croatia	8	15	8	No official CSR position in government
Hungary	2	12	8	CSR director in Ministry of Economy
Lithuania	4	8	4	No official CSR position in government
Macedonia	3	7	12	No official CSR position in government
Poland	1	5	8	No official CSR position in government
Slovakia	3	8	3	No official CSR position in government

Source: based on the UNDP Baseline Study (2007)

While there were major differences between Communist regimes across the world, such as between Soviet, Chinese or Yugoslav type of Communism or between Communism in Russia and that in other countries of Central and Eastern Europe under Soviet dominance), these countries still developed a specific, common form of CSR. Communist parties and regimes delegated important social responsibilities to state-owned companies including ensuring full and life-long employment, building apartments and houses for their employees, or constructing social institutions, medical centers, etc (Iankova, 2008: 5). These companies had a role in contributing to somewhat metaphysical mission of developing a Communist classless society.

In return, Communist states covered all potential losses stemming from these planned, command economies: by using either soft subsidies in the form of increasing money supply or hard subsidies from the government budget. Communist regimes and leaders also exercised absolute control over the management and activities of these companies. In addition, as UNDP study observes, "until the 1990s, Hungary, Poland, and Czechoslovakia provided developmental support to a number of other socialist countries (e.g., Cuba, Mongolia, Vietnam). For Hungary at least, this assistance was substantial (0.8 % of Hungary's GNI), with 59 different cooperation agreements"[9]. Former Yugoslavia similarly provided approximately 1% of its GNP in assistance to revolutionary movements in Africa and Middle East.

From today's perspective one could argue that Communist CSR was based on the system in which a state-owned company served as a key instrument of a Communist welfare state. The fall of Communism then logically led to the collapse of such CSR systems, but also to the crisis of accumulated, today excess Communist social capital[10], which had been built over half a century on such understanding of the social mission of Communist enterprise. Furthermore, many of the

[9] europeandcis.undp.org/

[10] The concept "Communist social capital" in this sense refers to collectivism and solidarity which led to the creation of special working brigades and other forms of collective concern about environment and most disadvantaged members of a society.

remnants of such system still exist in Central and Eastern European countries, and especially in non-privatized parts of the economy: shipbuilding, heavy industry, large agricultural corporations or state-owned banks. Precisely for above reasons, the development of modern, Western European CSR models, but also creation of social capital needed for such models is a very complex and long-lasting process.

Thus, the development of CSR practices in New Europe in the period after the end of Communism came mostly as a result of the involvement of inter-governmental organizations in the region and individual companies. While it is hard to generalize, these companies were either multinationals or large domestic companies[11]. Risk management – usually the main motivation behind CSR engagement of companies in the old EU in New Europe is rarely a key consideration. While MNCs in New Europe often adopt their companies global policies including CSR, most domestic companies who pursue CSR do it mostly as a part of efforts to enter the EU markets or as a vehicle for innovation in their business models.

In New Europe it is similarly possible to identify three other CSR models. First, new Central European model, found in Czech Republic, Slovakia, Poland, Hungary, Slovenia and Croatia, includes the elements of Central European model (coordinated CSR) and rudimentary aspects of Communist/socialist model of CSR.[12] The majority of these countries in pre-Second World War period and before Communist revolutions and subsequent Soviet domination, modeled their legal, social and health institutions as well as the systems of corporate governance after German or Austro-Hungarian model.[13] After the fall of Communism, these countries have been gradually reviving this tradition so one can foresee that in the future they will move closer to the Central European models of corporate governance and CSR.

Second, Baltic model (Estonia, Latvia and Lithuania) is a combination of Nordic and Communist/socialist model. Ethnic and cultural ties, but also close economic, scientific and cultural cooperation of Baltic countries with their northern neighbors have even today influenced the model of CSR which represent a transitional variety of Nordic model.

Third, Western Balkan model (Albania, Bosnia and Herzegovina, Serbia, Kosovo, Macedonia, Montenegro, Bulgaria and Romania) is the least developed of all New Europe CSR models. In these countries Communist/socialist system of CSR has been dismantled, but the new paradigm of social policies, market economy, and with that, modern CSR approach has not yet been fully developed. Even though this group of countries is seemingly very heterogenic, combining EU members, candidate countries and aspiring members, the CSR model which is developing will have many common characteristics across these countries. In addition to historic and cultural factors, this trend of convergence will be further strengthened by the role of the EU , the US, NATO and UN which politically and economically support re-integration of the region.[14.]

Malta and Cyprus CSR practices do not constitute a separate CSR variety, as have advanced far on their path to the convergence with the Mediterranean model characteristic for some of the old EU member states.

7. CSR catch-up strategies for New Europe

[11] Some of these countries experienced a phenomenon which could be called Americanization of CSR, because the first generations of post-Communist capitalists (tycoons, moguls or oligarchs) were partly inspired by the ideas of US corporate philantropy.

[12] Croatia was placed in Central European model even though its CSR approach also includes elements of Mediterranean and Western Balkan model.

[13] Even today the EU healthcare systems can be divided into two main groups: the "Bismarck model" based on health/social security contributions (Belgium, Germany, France, Liechtenstein, Luxembourg, the Netherlands, Austria and Switzerland), and the "Beveridge system" based on general taxation (Denmark, Greece, Spain, Ireland, Iceland, Italy, Norway, Portugal, Finland, Sweden and the UK).

[14] The new World Bank study offers economic reasoning for reintegration of the region through the EU accession: "Western Balkan Integration with EU: An Agenda for Trade and Growth"(2008 forthcoming).

There is an important question surrounding sustainability of separate CSR models in New Europe and whether CSR practices in these countries will with time converge towards CSR models in Old Europe. Leading researchers of economic growth theory and institutional development argue that in principle, even though not always in practice, it is easier to adopt and implement catch-up growth and development in developing countries, based on philosophy and policies of imitation, than it is to achieve growth in developed countries which are frontrunners in the fields of science, technology and economy.[15] The examples of Asian countries in 1960s, 1970s and 1980s show the promise of fast and successful catch-up development, as do more contemporary examples such as China, India or Vietnam.

If this general idea can be applied to the field of CSR development as well, it offers optimism regarding the potential for New Europe. Each of these countries can choose between three distinct catch-up strategies. First, they can use imitation and implementation (I-I) strategy which is based on mechanical transfer and application of existing institutional structures, instruments and policies from the EU models. However, this mechanical acceptance and application of CSR know-how can even be counter-productive as it might not fit existing situation in the field of CSR in specific country. What Daron Acemoglu wrote in relation to cross-national and cross-cultural transfer of institutions can be equally applied to public policy and CSR practice:

> *"Exporting good economic institutions is as hopeless as exporting democracy.* Institutional reform is essential for many societies to unleash their growth potential and it can happen as exemplified ba successful cases of institutional reforms ranging from South Korea to Botswana. But *such reform must have internal driving forces and what types of reforms can be successful will vary from country to country.*" (North, Acemoglu, Fukuyama and Rodrik, 2008:3)

Second, creative imitation and implementation (C-I-I) strategy would entail more strategic adoption of EU models, yet it still does not adequately take into account all corporate, economic, social and cultural specificities of a country to which CSR know-how is being transferred. Third, critical analysis, innovation and implementation (C-A-I-I) strategy seems to offer the strongest basis for successful acceptance and development of CSR movement in New Europe.

Almost all inter-governmental organizations, including UN and EU have a natural tendency to advocate for I-I strategy: applying best practice approaches in the area of institutional reforms including CSR. If this best practice model is applied to countries with similar level of development, institutional arrangements and cultural background, it usually leads to good results. This was clearly demonstrated through the success of CSR best practice exchange and promotion among EU-15 countries.

However, if this model is applied uncritically as a general CSR strategy for all countries of New Europe, it could lead to contradictory, even counterproductive results. Unfortunately, one can find this type of best practice model in UNDP and EC approach within their already mentioned project "Accelerating CSR practices."

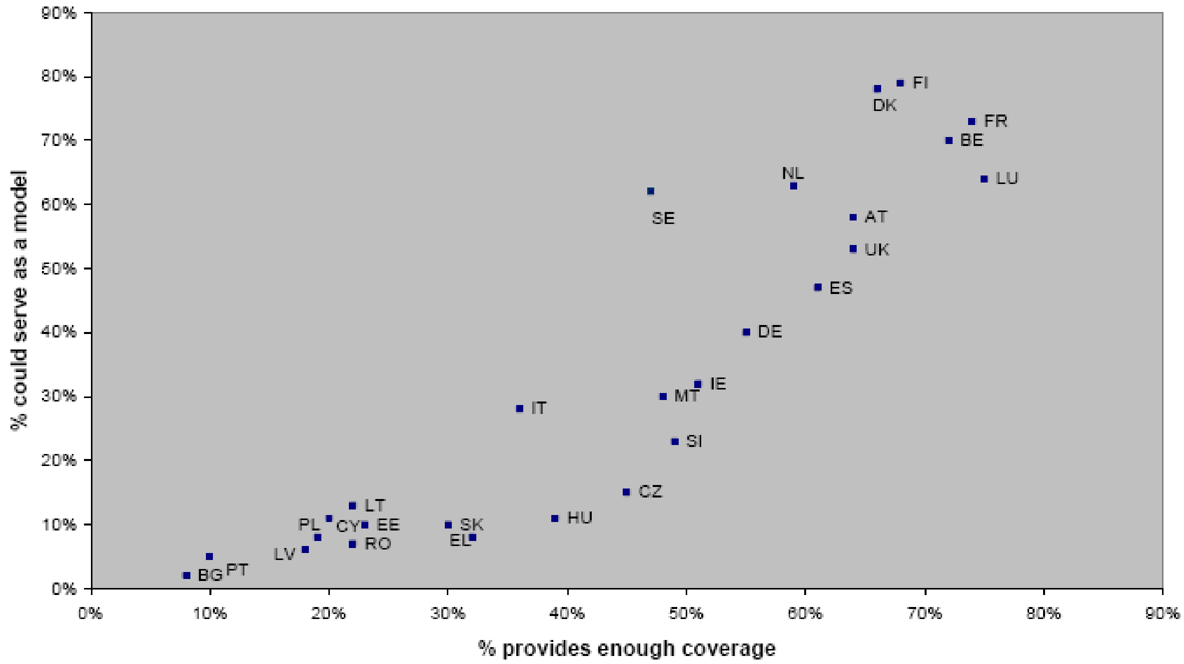
It is easy to understand the attractiveness of this approach, supported by two inherent psychological driving forces. First, the exporter of good practices prefers that they are adopted mechanically, primarily because that is most efficient economically. In addition, it brings certain level of satisfaction which can be titled "narcissism of imitation." Similarly to scientists and scholars who desire to be scientifically influential and cited, intergovernmental organizations such as the EU and the UN want their ideas, approaches and policies to become role models for transition and developing countries.

Second, the countries which are importing CSR know-how have a lot of incentives to use I-I strategy. This strategy is backed by influential organizations while implementing it does not require great intellectual and administrative efforts. In addition, the attractiveness of imitational models is

[15] Douglas North, Philippe Aghion, Dani Rodik and Daron Acemoglu among others. The term "institution" is here used in the sense defined by Douglas North, as "the rules of the game in a society" (North, 1990).

also partly a function of people and countries to compare themselves with and follow successful role models such as Asian tigers or American democracy. Public opinion polls such as "European Social Reality" survey demonstrate New Europe citizens' lack of trust in their own systems as well as the hunger to use Old Europe member states as role models. (Eurobarometer, February 2007: 79)

Figure 4: Relationship between satisfaction with welfare system and feeling that it could serve as a model for other countries (in %, by country)



C-A-I-I strategy is intellectually and psychologically much more demanding because it requires good understanding of key social and environmental problems of a specific country or society, as well as its institutional structures and culture (norms, values and habits).

For a majority of New Europe countries, as Anna Lewicka-Strzalecka demonstrated on the Polish example, fundamental CSR objectives include the development of institutions and culture of respect for the rule of law, struggle against corruption and state capture, promotion of principles and practice of good public and corporate governance, efficient judiciary system, and dealing with essential human and social problems including unemployment, apathy, and feeling of helplessness and social injustice.(2006:?).[16] She also observes a phenomenon of "asymmetry of rationality "which she explains in the following way:[17]

> "The phenomenon of asymmetry of rationality means that the rational procedures and institutions that were developed for markets of different scale and different historical circumstances are imposed on the post-communist countries. It appears that when some of these countries attempted to implement the effective solutions transferred from developed economies, it did nothing to improve the situation, and, on the contrary, it increased poverty and even widened the social gaps that are tearing the society apart." (Lewicka-Strzalecka, 2006: 440).

[16] Joel S. Hellman, Geraint Jones and Daniel Kaufmann define state capture as "the extent do which firms make illicit and non-transparent private payments to public official in order to influence the formation of laws, rules, regulations or decrees by state institutions." (2000: 5)

[17] The author attributes this concept to polish globalization expert J. Staniszkis, even though it is also very similar or almost identical to the better known idea of "bounded rationality" (Simon, 1957 and 1991).

Egle Svilpaite points to the same problem in her paper "The Myth of International CSR Standards: Imposing or Imitating Responsibility"(2007). The skepticism towards "best-practice model" can also be found in the work of one of the leading American scholars of economic growth and institutional reforms, Dani Rodrick who argues that:

> "Unfortunately, the type of institutional reform promoted by multilateral organizations such as the World Bank, IMF, or the WTA is biased instead towards best-practice model. It presumes it is possible to determine a unique set of appropriate institutional arrangements ex ante and views convergence towards those arrangements as inherently desirable. (...) Effective institutional outcomes do not map into unique institutional designs. Institutional function does not determine institutional form. And because there is not unique mapping from function to form, it is futile to look for uncontingent empirical regularities that link specific institutional rules to economic outcomes. What works will depend on local constraints and opportunities. Best-practice institutions are, by definition, non-contextual and do not take account these complications." (North, Acemoglu, Fukuyama and Rodrik, 2008: 23)

This general view on export/import of institutions can be applied to the efforts to export the best-CSR-practices from Old into New Europe. These best practices most often refer to the highest levels of Carroll's legendary CSR Pyramid while CSR in New Europe is still on the lower levels of his pyramid including economic and legal responsibilities.

However, CSR know-how or relatively undeveloped CSR infrastructure in the countries of New Europe will not be the main obstacles to the acceptance of CSR ideas, projects and practices. These countries will have to face a much more serious dilemma: whether they should prefer fast economic growth or development anchored on CSR principles.

It seems that currently governments, corporate sectors and citizens of the countries of New Europe overwhelmingly support the emphasis on economic growth and corresponding catch-up strategies. While GDP in EU-15 grew only 1.8% between 2000 and 2005, Baltic countries recorded 6%, Central European countries 4% and Western Balkan countries 2% growth. Maintaining these high growth rates, together with attracting foreign direct investment (FDI) inflows and decreasing unemployment remain absolute priorities of New Europe.

Governments and corporate sectors in New Europe seem reluctant to impose any stringent CSR criteria as they are competing for FDI with the emerging markets. With high unemployment rates in all New Europe countries except the Baltic, it is unlikely to expect that trade unions could create a strong demand for CSR. Modest strength of NGO sector in the field of CSR and lack of media interest, suggest that civil society at least in the near future will not create any significant pressures on governments and business sector. Finally, the governments of old EU member states which account for majority of FDI inflows to New Europe will probably not put strong pressure on governments and corporate sector in New Europe to adopt any stringent CSR regulations.

Conclusions

As late-comers in the field of CSR, the countries of New Europe can turn this time leg to their favor and use expertise and experiences of companies with effective CSR practices around the world.[18] These countries can also utilize positive EU and country-specific experiences in public promotion of CSR, especially those of the countries belonging to similar cultural clusters. Furthermore, they can use EC funds for research, development and education in the field of CSR and rely on know-how of the UN agencies such as UNDP and the World Bank.

[18] World Bank's "Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study"(2002) represents an useful methodological framework for benchmarking the results of public sector in CSR promotion.

To utilize these advantages and avoid potential shortcomings and failures, these countries have to define clear national and regional catch up strategies based on several key principles. First, they have to select their gravitational CSR model to which they want to belong in the future so that they can direct their public and corporative CSR policies accordingly. Second, Western experts offering technical assistance to corporations and governments of New Europe should not rely solely on simple I-I or best practice strategy but instead accept their clients and colleagues in these countries as true partners who possess country-specific knowledge and expertise on social, institutional and ecological circumstances which they might not have.

Two key principles of the European approach to CSR policy – volunteer nature of CSR and "business case for CSR" suggest that business communities and public pressure stemming from non-state actors will have an essential role for the future of CSR in New Europe. These stakeholders, together with governments, academia and relevant inter-governmental organizations should apply C-A-I-I strategy lens as they are working on further developing CSR practices in their respective countries.

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