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HUMAN RIGHTS: A BOTTOM LINE ISSUE? SOME OBSERVATIONS ON THE FUTURE OF CORPORATE INVOLVEMENT IN HUMAN RIGHTS

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Human rights: a bottom line issue? Some observations on the future of corporate involvement in human rights.

The 1990s witnessed a tide of political liberalisation which swept across the world driven in part by the collapse of the Soviet bloc dictatorships. Accordingly, the percentage of formally democratic states in the world grew from a bare 25% in 1973 to 45% in 1990 and 68% by 1995. By 1983, after more than a decade of military rule, every government in South America with the exception of Chile and Paraguay, had initiated or completed the transition to democracy. By the end of the decade Chile and (some would argue) Paraguay, had also made the transition. In Asia, Bangladesh, the Philippines, Taiwan, South Korea and Mongolia had democratised by the mid-nineties. By the middle of that decade 38 of the 47 states in sub-Saharan Africa had held competitive legislative elections. Of all the regions of the world only the Middle East seems to have remained largely untouched by this sea-change.

Despite the so-called 'democratic bonus' of the Soviet collapse the abuse of human rights shows few signs of abating. On the contrary, according to the UK based human rights organisation Amnesty International, launching a campaign against torture in 2000, more people than ever around the world are being subject to beatings, rape, electric shock and other forms of violence by the state. In its annual report for the year 2000 Amnesty researchers identified 132 countries routinely using torture in 1999, up from 125 in 1998. Torture by agents of the state is described as 'widespread' in more than 70 countries. In addition, Amnesty found that the number of countries conducting unfair trials had also increased from 35 in 1998 to 57 in 1999. The report also highlights a situation in which a number of the countries practising torture are either western allies such as Turkey or lucrative trading partners such as China and Saudi Arabia. Other sources indicate that in many formally constituted democracies there is still widespread intimidation and abuse of opposition elements particularly politicians, journalists and trade unionists. In countries such as Argentina and Brazil the forces of law and order have been accused not only of routinely using excessive force but also of executing members of marginal groups such as drug addicts and street children.

In the light of these facts it is worthy of note that the gathering preoccupation in the world of business with the policy of Corporate Social Responsibility (CSR) has included a growing concern with the issue of human rights. Not only is there increasing pressure upon the corporate sector from human rights NGOs and other civil society groups, there appears to be growing acceptance within this sector of a business case for an ethical human rights policy. Indeed, for some observers there is a direct relationship between a firm's commitment to a human rights policy and long-term profitability.

Is there a business case for a Corporate Human Rights Policy (CHRP)?

Mary Robinson, the United Nation's High Commissioner for Human Rights, in an article published in *Visions of Ethical Business*, (Financial Times Management, 1998) presents a plausible case for respect and promotion of human rights by businesses worldwide. She asserts the legitimate basis for business responsibility in this regard by pointing out that 'business decisions can profoundly affect the dignity and rights of

individuals and communities'. Robinson refers to the power of business corporations in terms of the foreign currency and investment that they bring to the countries where they operate, particularly in the light of globalisation, and argues that they can use this power to send a positive message in support of human rights. She acknowledges the progress that the business community has made by way of establishing benchmarks, promoting best practice and adopting codes of conduct. Robinson closes this argument by posing probing questions to businesses, based on the articles in the Universal Declaration of Human Rights, asking them what they would do in the absence of particular rights that the articles refer to. For instance, she quotes Articles 17 and 26, which state:

> "… right to own property alone as well as in association with others. No one shall be deprived of his property."
> "Everyone has the right to education."

Robinson then poses the following questions:

> 'Can you imagine doing business in a society where your business cannot own property or is at risk of having property removed without proper redress?'
> 'Can you imagine doing business in a society where education is not available to all? Will you be able to find sufficient skilled resources both now and in the years to come? Will your workforce have the diversity that brings both creativity and an empathy and understanding of the customer?'

Robinson concludes that although business activity can be carried out in the absence of the human rights she describes, it would involve unknown risks that if not mitigated would result in unsustainable operations. This is what she refers to as:

> 'the essence of the "Business Case for Human Rights": going beyond the question of businesses protecting their reputation – while not ignoring the potential cost of a damaged reputation – and looking at the other, both positive and negative reasons, for business corporations to care about human rights' (http://www.unhchr.ch/huricane/huricane.nsf/45ee90b46a08ca5a802565fd004e2473/e47d352dedc39697802566de0043b28e?OpenDocument).

Robinson is not the only advocate of the business case for human rights. The International Labour Organisation, a United Nations agency concerned with 'the promotion of social justice and internationally recognised human and labour rights', sets international labour standards with the aim of establishing minimum levels of rights in the areas of: freedom of association, abolition of forced labour, equality and elimination of child labour (http://www.ilo.org/public/english/about/mandate.htm). These standards are 'guidelines' and 'non-binding instruments' that incorporate tripartite agreements on labour conditions, social policy, and human and civil rights matters (http://www.ilo.org/public/english/standards/norm/whatare/index.htm, p. 1). Another voluntary code, less formal than the above documents, is the 1977 'Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy'. It results from a consensus amongst governments of state members of the ILO, the employers' and workers' organisations concerned and the multinational enterprises operating in their territories to observe the principles that the declatation sets out. These principles relate to employment, training, conditions of work and life and industrial relations. The aim of the declaration is to encourage the positive contribution of multinationals to economic and social progress of the communities in

which they operate whilst minimising the difficulties that may arise from these operations. (http://www.ilo.org/public/english/standards/norm/sources/mne.htm). Other Non Governmental Organisations (NGOs) are currently playing an important role in advocating corporations' obligation to human rights. For instance, Amnesty International has formed a UK Business Group to encourage companies to:

- Be aware of the human rights impact of their operations
- Use their legitimate influence to support human rights in the countries where they operate
- Give effect to the Universal Declaration of Human Rights
- Include specific commitments to human rights in their business principles and codes of conduct
- Have explicit, monitored and audited human rights policies that are integrated across all functions (http://www.amnesty.org.uk/business/objectives.shtml).

The Group exhorts companies to demonstrate top-level support for the implementation of these policies by allocating responsibility and resources to them, engaging in stakeholder consultation and external verification against benchmarks, and including human rights criteria in contractual agreements with their business partners (http://www.amnesty.org.uk/business/pubs/hrgp.shtml, p 4).

Amnesty International UK Business Group regards respect for and protection of human rights by business corporations as the condition of their licence for operation and reputation. It reinforces this view by quoting Mary Robinson's claims that: "Having a strong human rights policy and a sound implementation strategy is about risk management and reputation assurance. Human rights is a bottom-line issue" (http://www.amnesty.org.uk/busniess/why.shtml). To illustrate the risks, the Group argues that situations of conflict and human right abuse threaten the stability of the investment climate, the physical security of employees and installations, and the corporate reputation. They also claim that businesses operating in these situations are subject to closer scrutiny by local communities, NGOs, consumer groups and the media (http://www.amnesty.org.uk/business/pubs/hrgp.shtms, p. 3). The Group then emphasises the importance of managing these risks by arguing that 'a significant proportion of the value of many companies is tied up in the reputation of their brands' and that companies need to prevent reputational damage by putting in place transparent and properly enforced 'human rights assurance mechanisms and practices' (Amnesty International (UK) Business Group, 2002: 4). Amnesty International UK Business Group's focus on reputation is echoed in the world of advertising. Barry Delaney, an Advertising Executive, in a *BBC Breakfast Interview (4 August 2003)*, stated that a good advertisement creates goodwill towards the brand and helps people "remember a product and associate it with the good will". (http://news.bbc.co.uk/1/hi/programmes/breakfast/3121781.stm).

To inform companies of potential risks of human rights violations, Amnesty International and the Prince of Wales International Business Leader's Forum have initiated and launched a series of maps covering both the locations where companies are most vulnerable to the costs and reputational damage associated with these risks, and the sectors of industry prone to these risks. The types of human rights violations include: torture, disappearances, extra-judicial killing, hostage-taking, harassment of

human rights defenders, denial of freedom of assembly and association, forced labour, bonded labour, bonded child labour, forcible relocation, systematic denial of women's rights, arbitrary arrest and detention, forced child labour, and denial of freedom of expression. The locations include: Brazil, China, Columbia, India, Indonesia, Mexico, Nigeria, Philippines, Russian Federation, Saudi Arabia, and Turkey. The industry sectors are: extractive, food and beverages, pharmaceutical and chemical, infrastructure and utilities, heavy manufacturing and defence, and IT hardware and telecommunications.

The arguments in favour of corporate human rights policies are occurring concurrently with the debate for embedding CSR within a legal framework. This in turn is taking place in the context of the European Parliament's vote to include social and environmental reporting by businesses in its review of EU's fourth company law directive at the end of May 2000. France appears to be leading the way in explicit human rights disclosure requirements through the introduction of 'Nouvelles regulations economique' (NRE) legislation. The latter requires corporations to 'address human rights issues in the form of international labour standards and in relation to community involvement'. International labour standards require corporations to disclose how their international subsidiaries observe the International Labour Organisations (ILO) core labour conventions and how they promote these conventions to their international subcontractors. Community involvement requires corporations to disclose the local impact of their activities and how they promote local development when operating overseas (Nahal, 2002).

The only UK legislation to date *requiring* the adoption of ethical policies incorporating human rights is the amended Occupational Pension Schemes (Investment) Regulations of 2000. This legislation requires occupational pension funds in the UK to disclose in their Statement of Investment Principles:

> "The extent to which, if at all, social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments" (http://www.amnesty.org.uk/business/campaigns/sri.shtml, p. 1).

Possible reasons for targeting this particular sector may be their significance in business terms - pension funds 'own over one third of the UK stock market' – as well as their 'major investments in companies that operate in countries with poor human rights records' (http://www.amnesty.org.uk/business/campaigns/sri.shtml, p. 1; http://www.amnesty.org.uk/business/pubs/hrgp.shtml, p. 2). Amnesty International UK Business Group places this legislation in the context of many fund managers' increasing recognition of the importance of social considerations in investment decisions, and considers it a government response to growing demand for ethical pensions (http://www.amnesty.org.uk/business/campaigns/sri.shtml, p. 1).
An example supporting this point is provided by eight top pension funds that joined forces to highlight the risk to shareholders of companies operating in Burma (Macalister, 2001). A joint statement from the companies warned that:

> "Companies operating in unstable political climates can be exposed to loss of shareholder confidence, negative press and publicity campaigns, safety risks and corruption. In the case of Burma, there is also the possibility of a democratically elected government returning to power and penalising companies that supported the military regime".

The head of strategy and socially responsible investment at one of these pension funds – Henderson Global Investors - declared that the move was purely commercially driven (Ibid).

In the UK generally corporate attention to human rights issues is voluntary and tends to be promoted by 'progressive' firms as indicative of best practice. The majority of the companies whose codes of conduct are provided as examples on the Institute of Business Ethics' website claim to support the United Nation's Universal Declaration of Human Rights, 1948, as well as the International Labour Organisation's conventions. Examples of these organisations and the statements they make regarding human rights is presented below:

- Allied Domecq, in their Corporate Social Responsibility report, state that their policies respect the fundamental rights of the citizen; and that a number of their employee policies specifically address the international human rights standards for equality of opportunity, freedom to join a trade union, freedom from harassment, and health and safety.

- Astrazeneca International, in their Human Resources Global policies and principles on their website, state their specific support for the rights of freedom from torture and arbitrary arrest, the right to a fair trial and equality before the law. They also declare that compliance with these principles is mandatory for all employees and representatives of the company.

- British Petroleum devote three pages to issues related to human rights in the Business Ethics section on their website. They consider the realisation of international standards of human rights to be good for business as 'respect for human rights creates positive conditions which enable private enterprise to succeed and thrive.' The company is conscious of the fact that their actions must not negatively impact human rights in the countries where they operate. They believe that their business activity in the form of payment of taxes and monetisation of oil and gas resources provide the financial opportunity for governments to meet their human rights responsibilities.

In order to explore further this dimension of company involvement we have conducted pilot interviews with leading spokespersons of a number of companies. These are companies which in the first instance are identified in the Amnesty compiled maps mentioned above as operating in states where there is serious evidence of human rights abuse. From this list we have selected those firms which have an explicit ethical code as manifested in the Institute of Business Ethics website. The primary basis for final selection was accessibility: i.e., locating someone in a senior position who was prepared to talk about their company's human rights policy.

The interviews we have conducted to date indicate that whilst the business case for a corporate human rights policy exists and is manifest in organisations' business principles, codes of conduct and corporate governance, the raison d'etre for the policy varies across companies. As may be expected in most cases human rights policies seem to be a form of enlightened self-interest aimed at ensuring the smooth functioning of these firms in the communities where they operate and to avoid bad

publicity especially in the West. In two instances it is alleged that human rights are ingrained in the values of the company, through its historical evolution, irrespective of whether or not the policy is perceived to improve the companies' profits. The implementation of the policy also varies from one organisation to the next. In all the companies interviewed there are processes and procedures aimed at ensuring that the policy is applied across transnational operations. Most companies require their subcontractors and suppliers to comply with human rights principles although some admit they are unable to enforce this compliance. Some companies endeavour to obtain the commitment of their buyers and suppliers to these principles by requiring them to sign binding declarations to that effect. One company, active in the field of food production, engages in discussions with the host country government representatives about the practicalities of their business, including the application of their business principles, prior to setting up their operations. The length of time an organisation's corporate human rights policy has been in operation may have a bearing on the nature and sophistication of the implementation process of the policy. For example, one of the companies interviewed, established its corporate human rights policy in 2000 and took a year to translate it into all the languages of the countries where they operate. The interviewee from this company had not heard of Global Reporting Initiative (GRI) human rights performance indicators (http://www.mallenbaker.net/csr/CSRfiles/GRI.html) or software packages that are used as a tool for ensuring compliance with human rights principles. On the other hand, other companies with longer established corporate human rights policy have heard of GRI human rights performance indicators, implement certain aspects or modifications of them and use software packages as an aid to implementing this policy on a regular basis.

Is there a link between the existence of a CHRP and organisational success?

We have seen that there is a view that corporate commitment to human rights is good for the bottom line. Others, however, far from claiming a positive link, have argued the exact opposite - that involvement in ethical and CSR issues generally diverts scarce resources away from the central goal of commercial organisations: that of maximising profits and hence returns to those who have risked their capital in the business, the shareholders. In this view the adoption of CSR by firms invariably increases costs since managers must take account of the goals and interests of a wide range of stakeholders. This normally involves them in some form of consultation with these stakeholders as well as establishing systems of monitoring and auditing sophisticated enough to incorporate the economic, the environmental and the social dimensions which are embodied in the notion of 'the triple bottom line'. These extra costs almost inevitably have negative consequences for core economic performance. This is obviously in marked contrast to the business case for CSR which claims that the latter boosts economic performance.
It is worthwhile noting that prominent opponents of CSR such as Milton Friedman are concerned not simply with economic performance but with the broader moral issue of the values which underpin the capitalist system:

'Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine. If businessmen do have a social

responsibility other than making maximum profits for stockholders, how are they to know what it is? Can self-selected private individuals decide what the social interest is?

Along similar lines, David Henderson, who quotes Friedman with approval, claims that the current upsurge of enthusiasm for CSR - 'global salvationism' as he terms it - is orchestrated primarily by a number of highly vocal but unrepresentative political groupings (NGOs) which are driven by an anti-business ideology. Forced into embracing policies which are extraneous to what should be their fundamental goal, businesses must bear the extra costs of institutionalising these policies. Firms should resist these pressures and concentrate on the core activity of making high profits and returning maximum value to their shareholders.

It is well beyond the scope of this paper to attempt to arbitrate between these two fundamentally opposed positions. One can only make the general point that it is extraordinarily difficult to establish an empirical link between, on the one hand, any specific policy and its manifestation in organisational practice, and on the other, organisational outcomes. This is especially the case with 'success'. What, after all, is success: profits, turnover, share values, market share, the achievement of specified performance targets, and over what period? This is thought to be a particular problem for public bodies and not-for-profits where market forces have limited penetration. But, so far as the private sector is concerned, the bottom line has long been seen as an efficient indicator of performance. However, faith in the bottom line has been seriously undermined by recent corporate scandals and what is now seen as the doubtful reliability of traditional auditing procedures. For some critics 'a true and fair view' of financial performance – formally regarded as a key 'objective 'indicator - may not be worth the paper it is written on.

Overall, the outcomes of organisations, at least large organisations, are the product of thousands probably millions of transactions between individuals and groups both inside and outside its terrain. The task of relating specific outcomes to specific activities is therefore methodologically complex to say the least. For example, CHRPs are usually embedded in broader CSR programmes thereby rendering the task of isolating the consequences of the various strands somewhat burdensome as well as costly: a task for the econometrician rather than the auditor perhaps!

But this is academic, both literally and metaphorically. The key point is that at the level of corporate decision-making there seems to be the belief that there *is* a relationship between CHRPs and positive outcomes if not ones that are strictly visible in the 'bottom line'. The key question, then, becomes that of whether corporate involvement in this area is having much of an impact on the human rights situation on the ground.

This, in turn, raises the further question of the actual level of commitment to expressed policies. Here we confront what is probably the central issue of the degree to which CHRPs have been institutionalised within the organisations which allegedly embrace them. Are we dealing with an ethical policy which is effectively disseminated and reinforced throughout the organisation, or are we looking at mere tokenism, a form of letterhead ethics.

Tokenism ?

Suffice it to say that ethical involvement beyond obligations to primary stakeholders is in no small measure driven by the need to advance and where necessary defend the reputation of the firm and by implication the capitalist system of which it is an embodiment. As a consequence ethical initiatives in general invariably emanate from the apex of organisations with the result that the process of dissemination is top-down. According to a widely-accepted view this must entail the creation of an ethical organisational culture:

'The wholesale reconstruction of the modern enterprise frequently involves incorporating new values that will shape people's behaviour for the coming decades. The opportunity for top management to make strong ethical values "the normal way we do things here", has never been greater.'
(Clutterbuck et al 1992)

There are probably as many definitions of organisational culture as there are of culture in the broader sense that social anthropologists have used the term for many decades. In the interests of brevity an organisation's culture refers to its dominant values and norms and the ways in which these are transmitted through rites, rituals, symbols and practices – the 'way things are done around here.' Organisational cultures are highly complex phenomena as are the variables which both influence their formation and are, in turn, influenced by them. In addition to broader national culture and the sector in which an organisation operates of key significance is held to be leadership, usually in the form of its chief executive.

According to Andrew Brown, the importance of leadership as a source of organisational culture was noted by Selznick as long ago as 1957. More recently Davis has expressed what for many is the standard link between strong leadership and a strong culture:

'If the leader is a great person, then inspiring ideas will permeate the corporation's culture. If the leader is mundane, then the guiding beliefs will be uninspired. Strong beliefs make for strong cultures. The clearer the leader is about what he stands for, the more apparent will be the culture of that company.'

However, it is Edgar Schein who is most readily associated with the popularisation of the idea that a single influential individual, often the founder of the organisation concerned, can create its culture. Accordingly, the business literature is replete with accounts of the doings and sayings of dominant CEOs whose vision and the unequivocal values it embodies are claimed to have been pivotal in building strong cultures and hence successful organisations.

More recently it has become apparent that 'great' leaders in business - like great leaders everywhere - sometimes develop an exaggerated sense of their own importance and infallibility. Indeed a number of researchers have identified a tendency amongst top managers to surround themselves with yes-men who distort the information they provide by enhancing good news and suppressing bad. (See for example, Jackall, 1988 and Jones, 1993). Accordingly there is always a risk that strong and inspirational CEOs may lead their organisations into areas of activity that are ethically dubious if not actually illegal. In this light it is not surprising that in the backwash of recent corporate scandals (e.g. Enron, Worldcom, Global Crossing,

Tyco) the preferred model CEO seems to be shifting away from the high profile, flamboyant, shooting from the hip 'charismatic hero' on the lines of Jack Welch or Bernie Ebbers, to the modest, earnest, unsensational, perhaps slightly dull but competent administrator such as Ray Gilmartin of Merck or Ebbers' replacement, John Sidgemore. Such post-celebrity CEOs, the thinking goes, less prone to be carried away by their own rhetoric, sense of infallibility, and self-importance, are likely to be more reliable as well as ultimately more honest. (See 'The curse of charisma', *The Economist*, 7/10/02, p. 76).

But however cautiously analytical and principled a CEO, her/his range of personal influence over the employees of a large organisation is limited. No matter how much 'walking around' s/he engages in, the culture that is personified can be mediated to the organisation in general via formal structures. Whereas earlier somewhat evangelistic views of organisational culture tended to assume that it is transmitted to a critical mass more or less through a process of osmosis, a more sceptical position has highlighted the pivotal role of structural processes – formal hierarchies, division of labour, systems of reward management, training - in diffusing, invariably incompletely, this multi-layered and heterogeneous entity.

In other words talking airily about creating an ethical corporate culture may run the risk of significantly over-simplifying the vast complexities of behaviour in organisations particularly those surrounding the process of communication. This means that if ethical initiatives are to move beyond boardroom pronouncements structurally elaborate and effective compliance systems will need to be put in place. Without effective systems of compliance an organisation that claims or has the reputation for high moral standards runs a serious risk of looking incompetent and hypocritical. For example, in their 1992 guidebook for business, *Actions Speak Louder*, Clutterbuck et al claim that Ford UK 'has one of the most comprehensive and thoroughly researched equal opportunities policies and initiatives in the country.' (Clutterbuck et al 1992, p.65). Towards the end of 1999, however, Ford Dagenham hit the national headlines after serious disruption to production, vandalism and violence, driven in part by allegedly pervasive racism, As a consequence, company world president, Jac Nasser, was forced to fly over from the US to meet UK union leaders.

There are many examples of compliance systems both actual and ideal or a combination of both. In the interests of moving the argument along it will suffice to cite a useful example provided by Manley (1992) who after a detailed survey of 125 British companies argues that the following factors are crucial to the successful implementation of a code of conduct:

- management involvement and oversight;
- constant awareness of prescribed values and standards in hiring;
- stressing values and standards in educating and training employees;
- recognition and tangible rewards for appropriate conduct;
- ombudsmen or suchlike assigned to field employees' questions and complaints;
- thorough concentration on jobs with a high-risk propensity to contravene prescribed values and standards;
- periodic certification and auditing to assure compliance with values and standards;

- well-defined and fair enforcement procedures including sanctions. (Manley, 1992)

A few minutes contemplation of the above (by no means overly elaborate) system will lead one to conclude that each one of these dimensions alone would require quite elaborate organisational arrangements. For example, education and training in general are extremely time-consuming activities leaving aside incorporation of ethical training as such and ensuring that recipients understand that this is *ethical* training. This is before we arrive at the core issue of ascertaining that the values and standards embodied in this ethical training have been understood, to a minimum degree internalised and can be reasonably confident that they will be invoked in the appropriate manner in the context of some future identifiable ethical dilemma.

The complexities of ethical decision-making are well brought-out in a discussion by Wartick and Wood. These writers maintain that the process of ethical decision-making is not significantly different from decision-making in other contexts. It is a process which involves the activities of:

- gathering data,
- developing alternatives,
- forecasting the outcomes of alternatives,
- applying alternatives to outcomes,
- selecting the appropriate behaviour ,
- evaluating behaviour. (Wartick and Wood 1998, pp. 131-2)

However, we need to bear in mind that this essentially rational model needs to be considered in the light of the reality of the 'bounded' character of decision-making in organisations. That is to say, as Herbert Simon has pointed out, whereas the rational model assumes that decision-makers have knowledge of their alternatives and of the consequences of implementing these alternatives, the reality is that decision-makers often possess incomplete and imperfect information about alternatives and their consequences. In addition, the rational model ignores organisational politics in the form of the competition among individuals, cliques, factions and coalitions for resources including knowledge which to varying degrees are features of all organisations. On the basis of his research into the actuality of decision-making, Simon proposes that rationality in organisations is limited by:

1. imperfect and incomplete information;
2. the complexity of problems;
3. the human information-processing capacity;
4. the time available for the activity of decision-making;
5. the conflicting preferences of decision-makers.

Wartick and Wood recognise that the bounded nature of decision-making in organisations imposes limits upon their ethical model. They nonetheless hold that 'one can still undertake an ethical reasoning process based on available information.' (p.130)

Whilst Wartick and Wood are no doubt correct in claiming that an ethical reasoning process can still take place despite limitations, it is important that we recognise the full extent of these limitations. Not only must ethical decisions be subjected to the constraints of bounded rationality' but they must be located within the broader constraints of the manager's role. A considerable volume of evidence indicates that

the typical manager's role far from being essentially contemplative and analytical – the sifting of information, the careful perusal of reports - is overwhelmingly interactive. As Peter Lawrence has pointed out managers spend the bulk of their time simply 'talking to people'. Some of this talking may take place in formal meetings. Most of it, however, consists of informal negotiating, cajoling, persuading, confronting and 'politicking', mainly in the context of informal *ad hoc* encounters. As a consequence the manager's role is fraught with cross-pressures and contradictions, the outcome of multiple expectations and demands from the individuals and groups who form his/her role set: superiors, subordinates, colleagues, allies, enemies, patrons and clients.

In the light of the complexity of these typical patterns of interaction it is not surprising that Charles Lindblom, in a well-known formulation, has referred to the process of decision-making within organisations as the 'science of "muddling" through'. Following the line established by Lindblom, Hickson and MacCullough have characterised it as a process that

'moves spasmodically within a restricted set of possibilities, priorities, switching from one to another with different aspects weighed in the balance from one point to the next. It arrives gradually at a compromise that will do for the time being, within the bounds of power and practicability. That is, it "muddles through" incrementally to a satisfactory solution.'

The reference here to the 'bounds of power' reminds us that in addition to these constraints on rationality, decisions are taken in a context which is always, in some sense, political; in which individuals qua individuals or members of factions or coalitions, use such resources as are available to them in order to secure outcomes that are compatible with their interests, ambitions, anxieties, fears and so on. As part of this process, patterns of association will be built up, alliances formed, whether consciously or unconsciously, based upon the exchange of resources: information, contacts, protection, trust, esteem, personal compatibility and the like. Every organisational decision, therefore, will be structured by the interests of the individuals or groups that are party to that decision. The implications of the dynamics of decision-making have led a number of writers to view organisations as primarily *political* entities. (See especially Badham and Buchanan, 1999).

However, the further implications of the political character of formal organisations cannot be our concern here. We refer to this dimension merely to emphasize the complexity of the decision-making process in general let alone that of decisions specific to the issue of human rights. The key point is that the task of diffusing ethical values beyond the apex of complex formal organisations would seem to confront formidable behavioural obstacles which arise out of the reality of social interaction and exchange within these organisations.

As if the difficulties mentioned so far were not enough, we must also take account of an emerging contradiction between, on the one hand, the changing character of modern or rather 'post-modern' organisations, and the need for structurally complex compliance systems on the other.

CHRPs in post-bureaucratic organisations

It is widely accepted that with the intensification of competition that is a consequence of globalisation firms need to move away from the bureaucratic model that seems to have been the predominant organisational form for much of the twentieth century. With the emergence of a global economy strict hierarchies narrow, specialisation, and elaborate formal processes are consigned to the past; organisations must now be more flexible, more responsive to their external environment, more responsive to customers and commercial opportunities generally. Hence the current emphasis in the business literature on the significance of downsizing, delayering, empowerment and decentralisation. In so far as flexibility entails empowerment and other forms of local autonomy a degree of tension is created with the centralised top-down character of compliance procedures. In other words whereas market forces and the escalating pressures of global competition demand greater discretion and dispersal of authority, compliance procedures would seem to betoken a significant degree of centralisation.

This apparent contradiction may be resolved in either of two ways: first autonomy may be located lower down the organisation with at the same time core values controlled at the centre: the embodiment of Peters and Waterman's 'simultaneous loose-tight properties.' However, we have already seen that the orchestration of culture from the centre *without* the assistance of structural processes in the form of training, appraisal, reward systems, recruitment and the like is unachievable - at least in other than small organisations. In other words the contradiction is not resolved.

The second route looks more promising. This proposes that developments in Information and Communications Technology (ICT) make it possible to combine appropriate levels of decentralisation and empowerment with adequate control from the centre. In other words ICT really does offer a simultaneous loose-tight package in the form of the sophisticated monitoring of empowered local units; an apparently ideal combination of flexibility and control. However the kind of monitoring that ICT facilitates is biased towards such variables as costs, performance targets and other *measurables.* The issue of an ethical human rights policy and ethical problems in general, turning on values is not easily accommodated within the ICT conspectus. So again the tension between the ever-pressing need for greater organisational flexibility on the one hand, and the element of centralisation inherent in compliance procedures on the other, remains.

One may add that this tension is exacerbated even further by the growing dispersion through a range of forms of sub-contracting and outsourcing of the production of goods and services around the globe. This can produce a situation in which a single organisation or firm is dealing with so many sub-contractors that some are unknown to the parent body. Under such conditions CHRPS must be mediated – in so far as they are mediated – to the periphery through a series of interlinked and overlapping networks both formal and informal. Again media of communication which are not conducive to the diffusion of strict ethical standards.

Conclusion

This paper has highlighted the growing interest among business organisations in the area of human rights. That is to say, an increasing number of firms are proclaiming their allegiance to an ethical human rights policy. There is, furthermore, evidence of a

belief in the business world – how widespread is difficult to assess – that there is a relationship between declared commitment to a CHRP on the one hand, and if not actual profits then at least a firm's reputation on the other. However, it was suggested that any link between organisational policy and practice and their outcomes is extremely difficult to demonstrate empirically. But, this lacuna is of course much less important than the fact that the *belief* in a link encourages corporate involvement in the area of human rights. What is significant, the argument moved on to suggest, is the degree of commitment to specific CHRPs particularly the extent to which they are diffused throughout the organisation. Adequate diffusion and reinforcement cannot be achieved merely through the proclaimed adherence to an ethical culture but will rest upon the establishment of complex structural arrangements in the form of an ethical compliance system. However, it was argued that the dissemination of ethical codes and practices by means of such systems is seriously inhibited by the following factors: the complexity of and constraints upon decision-making in formal organisations; the demands upon and cross-pressures within the managerial role; and the countervailing, decentralising and anti-bureaucratic tendencies which are increasingly inherent in the global economy. The key point is that no matter how serious and committed corporate policy makers are to ethical human rights programmes, their effective dissemination faces significant impediments and consequently high organisational costs.

Thus it may be argued that we have arrived, albeit by a rather different route, at a similar destination to that occupied by free market economists such as Henderson. Do we therefore conclude, like Henderson, that firms should abandon entirely all attempts to be 'socially responsible' and concentrate solely upon the drive for efficiency and maximum returns to shareholders?

Such a conclusion, were we to reach it, would however be irrelevant for the simple reason that firms, indeed formal organisations generally, will *inevitably* engage in activities aimed at shoring up their legitimacy. Firms, that is, routinely exercise power and influence over the distribution of scarce resources both within and outside their organisational boundaries. The scope of this influence will vary, usually with the size of firm, being obviously greater in the case of large trans-nationals some of which deploy more resources than nation states. Given these circumstances it is extremely difficult for firms, especially the more visible, to avoid being drawn into the quest for legitimacy vis-à-vis employees, shareholders, the 'community', the 'public'. Under these circumstances the issue of human rights for business is a particularly difficult one for it embodies what appears to be a contradiction which lies at the heart of market capitalism. This is that whilst western democracy privileges these rights, the continued expansion of the economic system which allegedly underpins this democracy would seem increasingly to depend in part upon their erosion. This erosion takes the form of the relentless drive to reduce labour costs as evidenced in the constant re-siting of production facilities around the globe. The problem for international firms and their subsidiaries is that areas of low labour costs are often, if not normally, associated with poor human rights, repression and, perhaps, the widespread use of torture. For these reasons western-based firms operating internationally will increasingly be drawn into involvement in human rights programmes. This despite the fact that, for reasons outlined above, their yields may be extremely limited and their costs unacceptably high.

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