

Global corporate responsibility goes beyond banning bribes

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(Phys.org) —Companies must see combating corruption and promoting human rights as connected and complementary moral duties in the countries where they operate, according to researchers at the University of Michigan's Ross School of Business.

Norman Bishara, assistant professor of business law and business ethics,

and David Hess, associate professor of business law, detailed how [corporations](#) can ensure that both corruption and [human rights](#) are addressed. It includes developing and implementing effective policies and procedures, publishing those policies, and encouraging multi-stakeholder initiatives to achieve the benefits of collective action.

The debilitating issue of corruption is a well-recognized legal and business challenge for [multinational corporations](#). However, the connection between corruption and its tendency to allow and even fuel human rights abuses in developing countries is not often discussed or well understood.

In the last decade, the debate has become a central topic in the fields of [corporate social responsibility](#) and international law. The U.S.

Department of Justice's increased enforcement of the Foreign Corrupt Practices Act in the last several years has been evident through well-publicized settlements and guilty pleas of major corporations such as Siemens, Daimler AG and Pfizer, Hess said.

The debates and reform proposals on improving corporations' social performance in these two areas are often treated as separate concerns. To combat corruption, corporations often focus on ensuring that their employees or agents do not pay bribes by adopting compliance programs.

"A lot of companies feel they have done their job by just making sure they haven't paid bribes," Hess said. "However, can they make that next step and improve conditions in places where they are doing business whether it's child labor, environmental issues or whatever it might be? Reducing corruption helps in these other areas as well."

Since 2007, more than 700 workers have died in fires at garment factories in various countries such as China and Bangladesh. In April 2013, the collapse of an eight-story building that housed several garment

factories caused the deaths of over a thousand workers. Corruption allowed workplace safety and building code violations to go unchecked.

"How did that happen? It's corruption on the ground where someone is paying to avoid doing what they are supposed to be doing—like living up to the standards that the government is supposed to be enforcing,"

Bishara said. "But there are other businesses down that value chain that are benefiting from this system. So this is an example where [government corruption](#) leads to the building collapse and physical harm and not just hard-to-calculate economic consequences."

This is not to say that those corporations should have legal liability, but they have a moral responsibility to take some action to reduce corruption that is directly impacting the rights of the workers in the suppliers' factories, Bishara said.

Under current practices, it seems that corporations will rely on safety audits and local government inspections and—knowing that corruption is endemic to many developing countries such as Bangladesh—simply hope for the best; or worse, turn a blind eye to the problem, he said.

"Until the Foreign Corrupt Practices Act in 1977, U.S. companies were engaging in tons of bribery and essentially reporting it as an expense," Bishara said. "In some ways it's an ancient problem, but it's also becoming more important in the consciousness of companies. They are spending more on compliance and forced into a costly public relations battle on it."

This means that corporations should focus not just on ensuring that their employees and agents do not pay bribes, but that they should also use their resources to assist efforts to reduce the levels of [corruption](#) in those [developing countries](#) with significant governance problems.

"There's also a business price to pay if you don't think about these other

issues—fines, investigation, public relations, reputation," Bishara said. "Those are the risks companies face by not addressing these issues together."

More information: Bishara, Norman and Hess, David, "Human Rights and a Corporation's Duty to Combat Corruption." (October 15, 2013) *Law, Business and Human Rights: Bridging the Gap* (Robert Bird, Dan Cahoy, and Jamie Prenkert, eds). Edward Elgar Publishing, Forthcoming. Available at SSRN: ssrn.com/abstract=2388395

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