Corporate Social Responsibility Networks: From the Norms of Power to the Power of Norms

Explores the emergence and evolution of the CSR discourse and the extent to which MNCs are being (or should be) transformed into purveyors of social goods. Continues and extends analysis of the CSR process into its most ambitious project to date: The Global Compact and “Ruggie Principles.”
Readings


MNCs have “global interests and global capacity”

John Ruggie

“The UN is an international institution, it’s not a global institution. It doesn’t have the same kind of scale, reach, or capacity as business when business puts it’s mind to dealing with challenges”

Global image vs. International image
Rise of Private MNCs with Public Roles

- a new reality that involves more than one discipline
- MNCs no longer clearly economic or political actors
- raises theoretical/conceptual as well as political challenges
- this lecture deals with both (but mostly the former, and how they influence the latter)
- highlights value of an interdisciplinary approach
“The debate on private business actors assuming public roles takes place between the intersecting discourses of Economics, Law, and Political Science. However, despite this interdisciplinarity, the cooperation between the different disciplines appears to be rather one-sided in favour of economic approaches” (Hofferberth et. al., p. 1)

But onesidedness: Economic approaches tend to dominate
This leads to serious limitations

- strong rationalist biases
- MNCs seen as largely asocial actors with fixed interests
- interests treated as exogenous (originate in the world outside)
- MNC participation in CSR based on expected rewards
- discounts role of norms (“logic of appropriateness”)
Largely a question of epistemology

- IR & IPE strongly dependent of rationalist constructs of economics
- advent of “regime theory” does not do much to address this despite its preoccupation with norms
- eventually leads to a re-evaluation of regime theory along epistemological lines
- Friedrich Kratochwil: “epistemology needs to match ontology”
- in other words, norms cannot be measured empirically
“Despite growing acceptance of the constructivist claim that norms play an important role in international life and an increased interest in private authority among international relations (IR) scholars, surprisingly little research in the field has explored the extent or mechanisms by which norms influence the behavior of firms”

Why would MNCs want to change the status quo?

What would motivate companies to accept standards of behaviour that narrow their own potential scope of action?
1. Self interest

if so, norms are not an important part of the story

2. MNCs learning new norms of appropriateness as represented in the Global Compact (GC)

if so, these are poorly understood, voluntary, cannot be verifiably certified, do not stipulate CSR performance standards, the adoption of management systems, or third-party monitoring to ensure that participants comply with program obligations

nor has the GC managed to transcend the liberal-rationalist norms of the current global investment regime
Regimes vs. Norms: The Washington Consensus versus the United Nations

• Current Global Investment Regime consists of broad and legally enforceable protection offered to investors by bilateral & multilateral investment treaties

• UN tends not to support the liberal economic agenda, but the World Bank, IMF, and WTO does

• the prevailing regime tends to worsen human rights practices of developing countries

• e.g. investment treaties lock-in initial conditions attractive to investors

• these can include low environmental standards or weak labor rights

• can also constrain the provision of welfare benefits, basic infrastructure, investment in environmentally friendly technologies or land reform
Do MNCs have no shame?

Colin Barry, Chad Clay, and Michael Flynn (2013) Avoiding the Spotlight: Rights Shaming and Foreign Direct Investment, ”International Studies Quarterly

these authors suggest that where new norms may not move MNCs, reputational fears might

but research to date has focused on non-state actor’s respective interactions with states

authors put new focus on interactions between INGOs and MNCs themselves
reflects erosion of power and autonomy of the state
Just Businesses?

• contrary to popular belief, many studies find that FDI by MNCs and respect for human rights seem to positively reinforce each other

• high initial costs of directly investing in a foreign country force investors to balance their desire for short-term profit maximization with longer-term concerns, such as stability

• overlaps with Raymond Vernon’s earlier articulation of an obsolescing bargain model
obsolescing bargain

model of interaction between MNC and host state in which an initial period of investment creates a “bargain” for MNCs that “obsolesces” over time as the MNC becomes more grounded in the host state (fixed assets); bargaining power shifts to the government (Vernon 1971)
• sunk costs like factories, mines, plantations

• MNC assets transformed into hostages; irreversible resource commitments greatly weaken MNC position

• host state governments can impose conditions that range from higher taxes to complete expropriation

• applied as an explanation for widespread expropriation and nationalization in the 1970s of MNC natural-resource subsidiaries located in developing countries

• tested in other situations such as manufacturing MNCs and developed host states, with much weaker results

• many case studies testing the model suggest that MNCs were able to retain relative bargaining power and prevent opportunistic behaviour by host governments so the bargains, in practice, seldom obsolesced
But has the OBM itself obsolesced?

- OBM no longer an appropriate description of present reality

- few governments now restrict inward FDI & MNCs better able to retain relative bargaining power

- entry bargaining now typically happens at the home-host government level

- reciprocal bilateral or multilateral investment agreements with built-in liberalization measures

- e.g. this “tier 1” level of bargaining sets limits on the extent to which individual govt’s can regulate FDI (macro level foundation for host-MNC cooperation)
conclusions

“naming and shaming” by human rights INGOs can affect the behaviour of MNCs and impose real costs on targeted states in the form of lost investment

but is this evidence of a changing normative ethos? or business as usual? (risk averse MNCs pursuing self-interest)

some writers (like Ruggie) see developments like the Global Compact as a learning network that will socialize and teach corporations about CSR

Global Compact “meant to serve as a framework of reference and dialogue to stimulate best practices and to bring about convergence in corporate practices around universally shared values” (Ruggie)

But so far decisions of private actors seeking to invest abroad seem more affected by the reputational costs of doing business in countries publicly targeted by human rights activists than new norms

Human Rights: both a moral code & the “essence of social sustainability of business enterprises” (Ruggie)

e.g. At end of the day, Ruggie falls back on self-interest