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**Corporate Social Responsibility and Human Rights
in International Business:
A Systematic Literature Review**

A thesis submitted to the University of Manchester for the degree of
Master of Philosophy in the Faculty of Humanities

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Kim Ji Hye

Alliance Manchester Business School

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Abstract

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Jihye, Kim

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Studies on human rights and Corporate Social Responsibility (CSR) generally appeared in the academic literature corresponding to labour rights and employment related issues from mid-1980s. The discussion has developed from workplace discrimination to sweatshop and child labour dispute during 1990s, further reaching ‘Guiding Principles for Business and Human Rights’ by the United Nations Human Rights Council which has evoked the need of institutionalized principles for human rights on CSR. This extension of debate for human rights on CSR has aroused a question: how to strengthen the conceptualization of CSR to protect human rights. Several scholarly efforts have been made to examine what factors drive Multinational Enterprises (MNEs) to participate in CSR dealing with human rights. However, relatively less attention has been given to human rights within CSR. Hence, the aim of this thesis is to (1) review the existing literature on the link between human rights and CSR; (2) synthesize and integrate the extant literature, and; (3) suggest future research directions for scholars on human rights within CSR.

Declaration

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Chapter 1. Introduction

This thesis systematically reviews the literature on “Human rights in Corporate Social Responsibility (CSR)”, in order to identify the most commonly explored research themes and to derive potential future research avenues. In the international business (IB) literature, there is a vigorous ongoing debate on the intersection of human rights and CSR (Wettstein, 2012). Since both concepts put emphasis on moral responsibility and social roles of firms, the human rights and CSR disciplines could encourage companies to operate business in socially responsible way. However, due to voluntary nature and ambiguity in specific definition of both terms, researchers are still trying to understand the dynamics of human rights within CSR (Haynes et al., 2012). As the boundaries of human rights within CSR are still obscure, ambiguity is present on the criteria for inclusion or exclusion of human rights standards in designing human rights within CSR for companies and how to strengthen and specify the conceptualization of CSR by adopting normative principles of human rights. Hence, it is considered important to investigate the interface of CSR and human rights by conducting comprehensive systematic review of the existing literature.

1.1 Background

Globalisation has allowed multinational enterprises (MNEs) to grow rapidly and to have considerable power across geographical boundaries. In 2012, the 40 companies among the world’s largest 100 economic entities produced revenues of over US\$ 7.9 trillion equivalent to approximately 11% of i.e., the global GDP 71.7 trillion (Keys et al., 2013). Further, the revenues of several MNEs are substantially higher than the GDP of a number of small nations (Keys et al., 2013). For instance, one of the largest corporations in the world, Walmart generates annual revenue, which outstrips the GDP of 171 countries. Simultaneously, Walmart is also the biggest private employer with over two million employees equivalent to the population of the Republic of Slovenia and Qatar (Barlow, 2014).

Concurrently with the massive power that MNEs have accumulated, globalisation has undermined the authority of governments to monitor corporate behaviour (Cragg, 2000). Increased investments from MNEs lead to job creation inflow of advanced technology and knowledge, which contributes to the social and economic

improvement of host country (Spar, 1999, Weissbrodt and Kruger, 2003). Therefore, the host government tends to strive to attract considerable investment from MNEs (Knox, 2007). And in the process of attracting foreign direct investments (FDI), MNEs are given freedom to invest without enforcing strong regulations by the respective governments of host countries on labour or environmental standards. It is fair to say that the host governments, which can be expected to monitor the social conduct of MNEs are mostly in favour of the MNEs (Knox, 2007). In general, the home governments have an authority to regulate companies' business activities, as firms follow domestic laws of countries where the companies are established. However, the extension of business activity has blurred the boundary distinction and has made the government's work considerably difficult in regulating corporate behaviour (Arnold, 2010). In other words, globalisation has opened national borders by making a "governance gap" or "regulatory vacuum", which firms could take advantage of (Cragg, 2000).

This governance gap has left a room for infringement of human rights by MNEs and thus needs to be filled (Ford, 2015, Ruggie, 2008). To narrow this governance void international human rights regime over the years has set some basic and global standards on corporate conduct. For instance, the UN Sub-Commission on the Human Rights Council introduced the Protect-Respect-Remedy framework providing regulatory guidelines by setting clear expectations for companies to respect human rights (Cragg, 2012). However, to minimize governance gap, generally accepted regulatory principles are necessary. Further, such guidelines lack legal significance, and therefore, the issue of human rights in MNEs requires universally established concrete set of norm/standards. Such a requirement of generality could lead to internalization and normalisation human rights within CSR (Engle, 2004). The requirements resulted in the modification of standards by UN, ILO and OECD, emphasizing universal values of human rights issues within business (Lundan and Muchlinski, 2012).

The intersection of human rights and CSR initially emerged with respect to labour rights and employment concerns in mid-1980s (Wettstein, 2012, Munchus, 1989). The discussion developed from workplace discrimination to sweatshop and child labour dispute during 1990s (Chandler, 1998), further reaching 'Guiding Principles for Business and Human Rights' by the United Nations Human Rights Council

which has evoked the need of institutionalized principles for human rights in CSR (Wettstein, 2012). This extension of debate for human rights in CSR has raised “an open question as to whether and how we can channel the strength of the CSR movement to encourage stronger corporate promotion and fulfilment of human rights” (Ramasastry, 2015, p. 250).

Literature suggests, CSR has voluntary nature, i.e., it cannot be obliged to corporations. Firms voluntarily undertake CSR initiatives to fulfil expectations of stakeholders (Yang and Rivers, 2009). However, the human rights issue is obligatory in nature (Wettstein, 2012). Since “all human beings are born free and equal in dignity and rights (UN, 1948, Article 1)”, human rights concern is mostly directly related to those people, who work for the firms, make decision for them and buy products from them. Therefore, the protection of basic rights requires universal standards applicable to all corporations and states. Those international standards could specify and strengthen voluntary CSR concept. Hence, corporations tend to embrace human rights standards when implementing CSR practices (Wettstein, 2009, Engle, 2004). For example, Cisco, an American multinational technology company, has announced a CSR report in 2015, directly referring to human rights policy outlined in the Universal Declaration of Human Rights (Cisco, 2015). Moreover, sustainability report of Canon in 2015 delineates human rights policy on CSR including prohibiting discrimination, preventing harassment and respecting diversity (Canon, 2015). Such practical examples suggest, CSR practices can explicitly include the issue of human rights, and can adopt pragmatic means to protect and promote human rights (Giuliani and Macchi, 2013).

1.2 Research focus and objectives

The literature regarding human rights and CSR still obtains growing attention, considered as an under-researched area within IB (Wettstein, 2012). Because of voluntary nature and ambiguity, the studies are segmented. At the same time, the literature with respect to human rights from legal perspectives is also extensive (Weissbrodt and Kruger, 2003, Hafner-Burton and Tsutsui, 2007), as the concept of human rights historically has evolved from an initial focus on the liability of governments for protection of human rights (Engle, 2004). This large but segmented scholarly literature on human rights from two different perspectives yields significant fragmentation, which leaves a room to integrate previous research findings.

According to Rousseau et al. (2008), systematic reviews can be one of the most efficient ways to integrate such a broad fragmentation of literature. Comprehensive systematic review of the literature not only helps to synthesize segmented existing research results, but also offers suggestions about potential directions for future research agenda (Petticrew, 2001).

Accordingly, the aim of this thesis is to (1) review the existing literature on the link between human rights and CSR; (2) synthesize and integrate the segregated parts of extant literature, and; (3) identify future research avenues. The following sections give an account of the process of systematic literature review followed by findings, discussion, future research directions and conclusions.

Chapter 2. Methodology

As mentioned in the previous section, literature regarding human rights and CSR still receives substantial academic attention (Wettstein, 2012). Due to ambiguity in precise definition, the literature is extensive yet fragmented. Such fragmentation makes it difficult for scholars to accumulate consistent knowledge (Rousseau et al., 2008). Therefore, the fragmented literature is in need of integration by reviewing thoroughly the broad range of studies, since the literature with respect to CSR and human rights has not yet been systematically reviewed. Systematic reviews can be one of the most appropriate ways to surmount such a wide disintegration of literature (Berrang-Ford et al., 2015). Although the systematic approach does not provide a static outcome, by combining results, it not only describes current research trends and patterns but also offers worthwhile insights into the future research direction (Briner et al., 2009). Further, it can be characterized by flexible and liberal research process to vary significantly with the aim of research (Berrang-Ford et al., 2015). Since there are no sensible guidelines on how to perform a systematic review of literature, researchers are likely to possess the considerable freedom to determine the keywords, filtration criteria and document selection depending on research questions. This flexibility helps to ensure that researchers achieve comprehensive view of the previous literature corresponding to respective research objectives.

The primary challenge often faced by authors undertaking systematic literature review is to make sure that the authors have taken all relevant previous studies into consideration for a systematic synthesis (Kitchenham et al., 2009). In order to capture exhaustive literature, this literature review has been conducted in three steps. The objectives of Step 1 and 2 are to identify a preliminary core set of articles discussing human rights in CSR and the objective of Step 3 is to explore the backward and forward citations of the articles present in the preliminary set. A clear portrait of the steps has been reported in Figure 1.

2.1 Step 1: A keyword-based search

In Step 1, a keyword-based search was executed in Web of Science and the results were categorized into three prominent IB journals (*Journal of International Business*, *International Business Review* and *Journal of World Business*), and two journals relevant to the ethics of business (*Journal of Business Ethics* and *Business Ethics*

Quarterly). Since “the major contributions are likely to be in the leading journals” (Webster and Watson, 2002, p. 16), only papers published by prominent business journals were considered for the initial sample. The objective of Step 1 is to find firstly a broad range of previous studies, which will later be narrowed down with the help of Step 2. The following screening criteria were used in Step 1-

2.1.1 Keywords

The initial search was performed using three keywords “Corporate Social Responsibility” OR “CSR” OR “Human Rights” together. The reason behind using the keywords separately (i.e., “human rights” OR “CSR”) instead of using the combination of keywords (i.e., “CSR” AND “human rights”) is to perform initial search as broad as possible in the first step. A wide range of literature could help for researchers to obtain better understanding regarding research topic. Therefore, this thesis used the keywords “Corporate Social Responsibility” OR “CSR” OR “human rights” for primary screening of the literature.

2.1.2 Peer review

Articles published by all 5 journal papers, considered in Step 1, are peer-reviewed. However, there is a possibility that the articles found from WOS database, may not be peer reviewed. For example, books, technical reports and conference proceedings are always not peer reviewed. The justification in favour of accepting only peer reviewed articles is that academic acceptance of the contributions made by conference proceedings, books and unpublished works are difficult to identify if not peer reviewed. Hence, this paper excludes such literature from data collection and subsequent analysis processes. However, conference proceedings and unpublished work assist in providing a richer literature to synthesize and eliminate “publication bias”, which can be identified if “positive results are more likely to be published than negative results” (Mian et al., 2005, p. 5).

2.1.3 Language of Instruction

This paper also took account of only those articles, which were written in English. Although the author of this thesis holds fluency in multiple languages, only papers written in English were taken into consideration in view of the global audience of this thesis.

2.1.4 Date of publications

As human rights concept evolved gradually after Second World War, it was also important to consider older literature alongside the recent studies for a deep literature synthetization. Therefore, the search criteria did not put any date restriction.

After 1st Step, 1278 articles from JBE, 76 from BEQ, 103 from JWB, 50 from IBR, 7 others from JIBS and in total 1514 studies were found to be having passed the above mentioned criterions. Surprisingly, I observed that more articles regarding human rights or CSR have been published by business ethics journals than IB journals.

2.2 Step 2: Manual check

Although Step 1 helped me to gather a number of articles with relevant keywords, however, does not say whether or not the articles have relevant content. Therefore, it was essential to check the relevancy of each article from the group of 1514 peer reviewed articles.

2.2.1 Relevance to the theme

To evaluate all the articles that satisfy the search criterion of Step 1, if they are relevant to the theme of human rights in CSR or not, I read the abstract, discussion and conclusion segments of each paper. Previous studies have argued that systematic literature review may also consider only those papers, written using specific methods, which would provide a common ground to compare the results (Piper, 2013). However, this paper does not discriminate articles based on the methods used by the previous studies. The papers that do not possess any content related to human rights in CSR were identified from abstract and subsequently from discussions and conclusion chapters were eliminated. At the end, Step 1 resulted in 25 articles from JBE, 23 articles from BEQ, 4 articles from JWB and 3 articles from IBR. Altogether, 55 articles were termed as the preliminary core set (As shown in Figure 1).

2.3 Step 3: Citation analysis

Step 2 provided a preliminary core set of 55 peer reviewed and relevant articles. Yet for a rich systematic literature review, synthesis of 55 articles would not be sufficient. Further in Step 1, I considered only five journals and used only one database (WOS) to select articles related to my research theme. It is possible, in this process, I missed out applicable articles with significant importance, which were neither published by

the five journals nor uploaded on WOS. It is also worthwhile mentioning, human rights concept has evolved over the years from law perspective (Weissbrodt and Kruger, 2003). Therefore, since Step 1 selection criteria didn't include any law journal, it also indicates the probability of neglecting studies on the grey area, which is the intersection of "human rights from law perspective" and "human rights from business perspective" and were published by the law journals.

Therefore, in Step 3, I conducted a citation analysis (both backward and forward) of the preliminary set of 55 articles to find out a broader range of pertinent literature. The citation analysis method, I used, is similar to what Gustafsson et al. (2016) executed for conducting a systematic literature review of "emergence of new industry" concept. All the 55 articles were put one by one on Google Scholar to check both backward and forward citations for each paper. Backward citation means the studies cited by a particular article say X, while forward citation means studies that have cited paper X. The analysis of forward citation can help to understand current research trend and direction, while the review of backward citation could offer an opportunity to trace trajectories of extant literature by leading to the foundation of respective research topic. Backward citation was conducted by checking the list of citations from "reference" segment for paper X. In contrast, to identify forward citation, paper X's title was put on Google Scholar and the studies that referred to paper X were noted from "cited by" column.

To identify whether or not a particular paper obtained from backward and/or forward citation is relevant to the research theme of this thesis, as Jalali and Wohlin (2012) suggested, initial screening was done based on the keyword search "human rights" OR "CSR" OR "Corporate Social Responsibility" in titles of papers. Any study, in which, the title does not contain either of the keywords, were disregarded. The OR criteria instead of AND facilitated the flexibility of inclusion of such articles.

The studies, which passed the initial screening of titles, were judged on the basis of abstract, discussion and conclusion segments. At the end of citation analysis and subsequent relevancy check, I found 152 articles (27 articles from forward citation and 125 articles from backward citation) to be related to the theme of "human rights in CSR". Therefore in total, 207 articles, which include 55 articles from the preliminary core set (Step 1 & 2) and 152 articles from citation analysis (Step 3).

Below, Figure 1 documents the flow diagram of the three steps used to find literature to conduct systematic literature review.

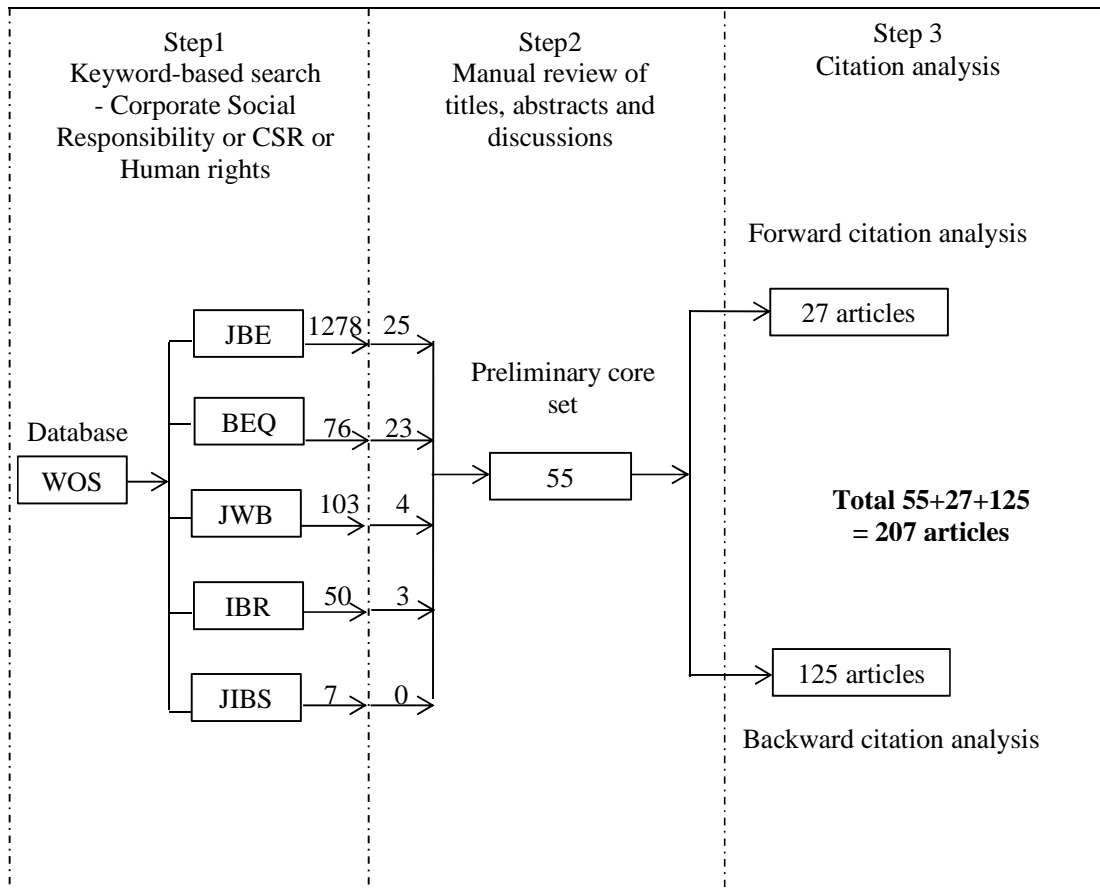


Figure 1 The flow diagram of literature selection

Chapter 3. Findings

After comprehensive systematic literature review with topic of CSR and human rights in international business, the following research themes were witnessed.

Research Theme 1: Focus on exploring evolution of the concept and norms of human rights

Research Theme 2: Focus on exploring the linkage between human rights and CSR (differences and similarities)

Research Theme 3: Focus on MNE's human rights practices and violations

For a better visualization of the research themes, Figure 2 (a van diagram) is drawn below. All the research themes overlap with each other at some stages, where this thesis identifies three major research avenues. The research avenues are proposed in the next section. This section explains the three research themes separately and also discusses the recent advancements that have taken place so far within each research theme.

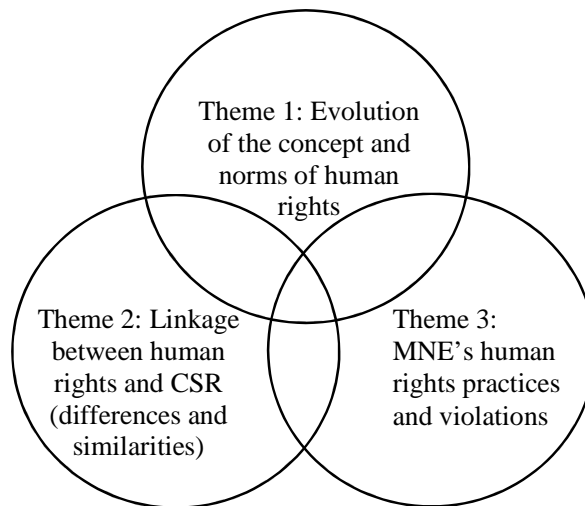


Figure 2 Research themes in the literature on human rights in business

3.1 Research Theme 1: Focus on exploring evolution of the concept and norms of human rights

Most previous studies have widely discussed the evolution of the human rights concept and norms. The trend is still ongoing and research on human rights evolution has vastly expanded over the years.

During World War I and II, civilian population witnessed considerable abuses of human rights and horrendous war crimes being committed by government forces (McGee, 2000). For instance, almost 100,000 people from Belgium and France were banished to Germany for performing compulsory labour by and for the Imperial German Government during World War I. On the other hand, approximately 12,000,000 people from a host of countries were forced to work for Nazi Government during World War II. In parallel with grave infringement of human rights by governments, accountability for respecting human rights was commonly considered to be the responsibility of the states (Preuss and Brown, 2012, Wettstein and Waddock, 2005). Historically states were regarded as the entity having most significant impact on human life (Petrasek, 2002) and only had responsibility under international law (Mongelard, 2006). Therefore, policy makers of international human rights law particularly focused on the liability of the governments to protect universal human rights for ensuring a better future of humanity and to prevent repression against governmental violations in the future (Hafner-Burton and Tsutsui, 2007, Weissbrodt and Kruger, 2003). However, these facts have made non-state actors such as businesses to feel excluded from the international human rights regime. In other words, adequate attention has not been paid to private actors in the enforcement of international human rights while it has addressed the liability of governments (Engle, 2004).

Failure of international law to impose responsibility on protection international human rights in business allowed MNEs to seize natural resources, financial profits and efficiency gains without respecting basic international human rights such as exploiting child labour, illegally dumping toxic wastes and providing unsafe workplaces (Weissbrodt and Kruger, 2003). One of the most often referred examples is the Trafigura scandal. The globally influential oil trader, Trafigura illegitimately fly-tipped toxic chemical wastes in 15 locations around Abidjan, the biggest city in Ivory Coast. Fly tipping was low-priced and easy while it generated a considerable result. According to official estimations, 15 people died and more than 100,000 required medical attention after exposure to the wastes' smokes (White, 2008). This case precisely has demonstrated the risk of human rights violations by non-state actors and such human rights abuses gravely threaten lives of people.

With an expanding awareness that MNEs would be responsible for infringements of human rights under international law in very recent years, attention of human rights responsibilities has been shifted from states to MNEs (Nolan, 2014, Cragg, 2012). Several declarations and conventions were signed with intentions to protect universal human rights from violations by MNEs (Hafner-Burton and Tsutsui, 2007). Among such declarations, United Nations Universal Declaration of Human Rights (UDHR) of 1948 stood out as the first official universal acknowledgement of human rights. This declaration from United Nations contains 30 articles, which are the origin of most contemporary human rights standards (Petrasek, 2002). Its norms were further modified in the International Covenant on Civil and Political Rights and subsequently in the International Covenant on Economic, Social and Cultural Rights (Preuss and Brown, 2012). Eventually, the UDHR and the two detailed covenants formed the foundation of International Bill of Human Rights which in today's world legally binds, protects and ensures fundamental human rights of mankind.

In particular, with the substantial recognition of human rights, the European Convention on Human Rights in 1950 for enhancement of human rights awareness in Europe and the American Convention on Human Rights in 1969 were negotiated (Knox, 2008). In 1981, the African Charter on Human and Peoples' Rights was adopted and it held inquiry into the state of human rights in the Africa to investigate infringement of human rights (if any) by formulating rules for human rights. In addition to international authorities, human right is also promoted by national governments, such as the Convention on the Rights of the Child in 1989 and the United Kingdom's Human Rights Act in 1998 (Nickel, 2007).

Not surprisingly, discussions on liability of MNEs with respect to human rights were mainly initiated by two inter-governmental documents drafted by the Organisation for Economic Co-operation and Development (OECD) and International Labour Organization (ILO). In the year 1976, OECD Guidelines for Multinational Enterprises have set up a concrete provision on human rights responsibilities of MNEs (Cernic, 2009), addressing variety of issues such as employment opportunities, labour relations, environmental health and safety matters. Like the OECD guidelines, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of 1977 also describe diverse employment concerns, specifically focused on constructing norms for companies (Petrasek, 2002). ILO has aimed to

develop the labour principles all over the world, having 190 Conventions in total until now, which include eight fundamental Conventions. Another significant initiative is the United Nations Global Compact (UNGC), which was launched in 2000. It covers ten principles of basic responsibilities regarding human rights (Mertus, 2009). On 16 June 2011, the UN Sub-Commission on the Human Rights Council introduced the Protect-Respect-Remedy framework, providing greater attention on the role of business in human rights. It is generally accepted that this framework entails pragmatic value improving MNEs' conduct for human rights (Cragg, 2012).

Non-Governmental Organisations (NGOs) have also made numerous attempts to question MNEs' ethical business practices (Doh and Teegen, 2003). These efforts led to the announcements of human rights guidance for companies, such as Human Rights Principles produced by Amnesty International (Leipziger, 2015). Likewise, the International Chamber of Commerce (ICC) proposed a Guideline of human rights and the International Organization for Standardization (ISO) released a voluntary guidance standard named ISO 26000, encouraging corporations to conduct socially responsible business practices on 1 November 2010. In line with NGOs activism, Chayes et al. (1995) put emphasis on the role of NGOs in human rights and Neumayer (2005) suggests that the more citizens take part in international NGOs, the more human rights would improve. NGOs activities have drawn public attention to corporate behaviour and thereby influencing significantly public policy issues. The increasing force of NGOs is referred to as a non-eligible fraction in global concerns (Doh and Guay, 2006).

Figure 3 displays above-mentioned brief statement of human rights to describe development of guidelines from Universal Declaration of Human Rights (1948) to the Protect-Respect-Remedy framework (2011).

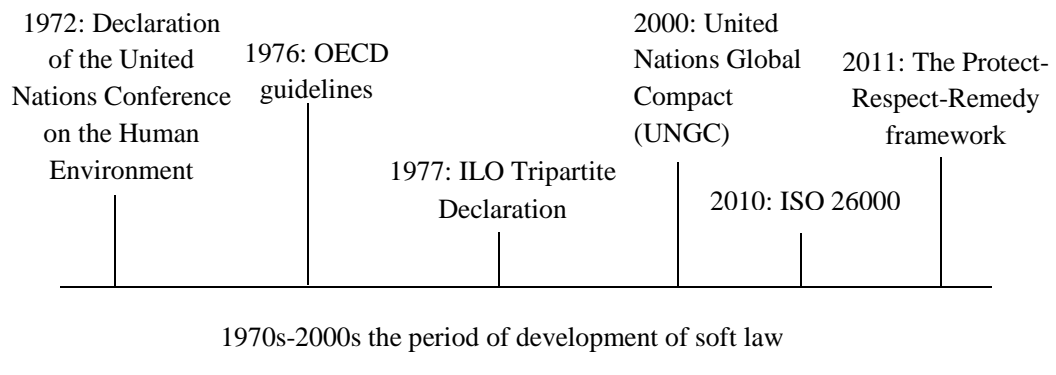
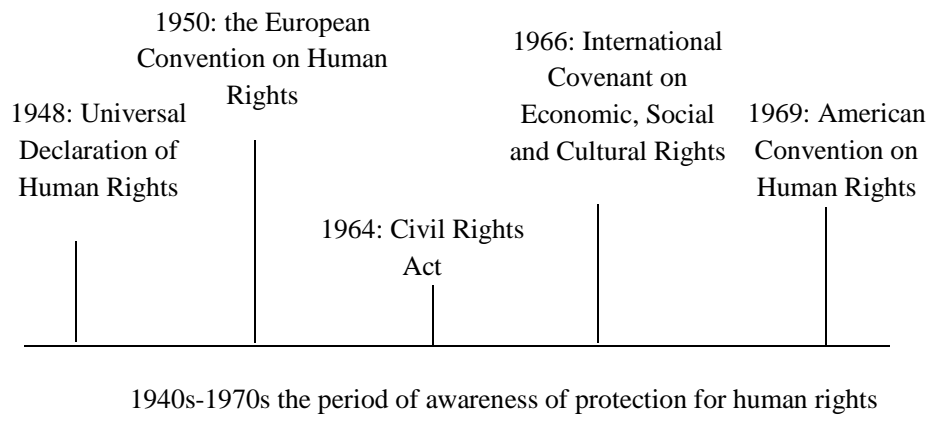


Figure 3 Timeline of international conventions on human rights

Interestingly, the characteristic that emerged from the above-mentioned initiatives is that these do not have any legally binding force and therefore, called as soft law instruments (Muchlinski, 2007). Soft law could be specified as “rules of conduct which in principle have no legally binding force but which nevertheless may have practical effects (Snyder, 1993, p. 32)”, while hard law entails agreements which are legally binding (Williamson, 2003). Previous studies (e.g., Trubek et al., 2005) explain a few reasons why governments occasionally tend to be in favour of practicing soft law instruments. For instance, soft law has a feature of flexibility, which refers to possibility of revision or renegotiation of agreements depending on situations (Trubek et al., 2005) and this flexibility of soft law plays an essential role in the uncertain and unstable era of globalization (Reinicke and Witte, 2000). As a notable example of soft law encouraging MNEs to conduct responsible behaviour, “due diligence” might be mentioned. “Due diligence” from legal aspect can be

defined as a compelling measure to develop a firms' socially responsible activities (Lundan and Muchlinski, 2012), by enabling states to react to infringement of human rights by private actors, such as MNEs (Petrasek, 2002). Such steps of soft laws are considered as effective way to form hard laws over a period of time that commonly requires general consensus among countries (Weissbrodt and Kruger, 2003). Due to a lack of drawing consensus of business human rights norms, declarations, statements and principles as a form of soft law have received more importance in the international human rights regime (Weissbrodt and Kruger, 2003).

The literature dealing with both human rights and CSR together has gained increasing prominence in recent years, after the introduction of UNGC in the year 2000 (Wettstein, 2012). UNGC has induced corporations to embrace 10 principles incorporating values of environmental sustainability, protection of human rights, fair treatment of workers, and elimination of bribery and corruption. It was the first initiative dealing with the role of business in human rights within CSR. Further, in 2008, it introduced the UN Guiding Principles for Business and Human Rights and their operationalization in the Protect-Respect-Remedy framework (Ramasastry, 2015). This framework emphasizes the duty of states to protect human rights, the responsibility of enterprises to respect human rights and the necessity of proper remedies for victims of human rights violations caused by both states and corporations (Ruggie, 2011). In its 10-year report, UNGC has announced growth in both membership and program activity. Cragg (2012) and Bellace (2014) have claimed that UN framework has clear practical function which can contribute to enhance firms' behaviour for human rights. However, a segment of the literature articulates that there is no evidence that UNGC has succeeded to induce its signatory companies to improve their human rights (Sethi and Schepers, 2014, Baumann-Pauly and Scherer, 2010). A number of credible and publicly available data and documentation conclusively illustrate that the UNGC has failed to encourage the companies to integrate the 10 principles to their policies (Sethi and Schepers, 2014). Such conflicting reports imply, there still remained unanswered questions about performance of UNGC's mission.

3.1.1 Summary of Research Theme 1

It can be observed that human rights norms and concept evolved from law perspective and researchers from law background were the pioneers in opening up

the debate on the origin of human rights. However, in late in 1990s and early 2000s, business literature has started showing interest in taking the discussion forward. Studies (e.g., Neumayer, 2005, Mertus, 2009, Leipziger, 2015 etc.) initiated the exploration of initiatives such as UNGC and international NGOs in promoting human rights in business. The author believes that it is important to look behind the history and to find the origin of human rights norms from literatures' perspective; however, practically it is more important to study the present i.e., whether or not initiatives such as UNGC have been successful in making corporations to work in socially responsible way, which is a matter that needs to be investigated further. And the most important thing from policymakers' perspective, is to look ahead into the future and to explore how new sets of human rights norms may emerge, which can persuade all business executives to show respect to human rights.

3.2 Research Theme 2: Focus on exploring the linkage between human rights and CSR (differences and similarities)

The second research theme is observed to have concentrated substantially on to what extent human rights concept is embedded within CSR. Previous studies have conceptually discussed the differences and similarities present between human rights and CSR concepts.

Corporate social responsibility conveys different definitions to different people since it is a highly complex issue (Yang and Rivers, 2009, Wettstein, 2012). For this reason, many scholars have been trying to establish the definition of CSR for years (Chao et al., 2009). However, even though the concept of CSR has been discussed from diverse standpoints over the past several years, no consensus has yet been established (Kolk, 2016). The notion of CSR has been extended from the economic concept of maximizing company profit (Friedman, 1970) to the improvement of social welfare and the benefit of organizations (Keith and Blomstrom, 1975). The new lens of defining CSR is how organizations create value for stakeholders outside legal and contractual relationships (McFarland, 1982). In other words, although CSR covers a wide-range of concepts, all these converse into the same direction that is the growing demand for corporations to create social value in the form of sustainable development and to communicate with stakeholders, who have direct and indirect influences on corporate business activities. Hence, CSR is referred as “umbrella term”

(Scherer and Palazzo, 2007, p. 1096) dealing with moral responsibility of firms in business ethics.

The field of business ethics has struggled due to ambiguity in precise direction and therefore, considered as an unsettled issue (Donaldson and Dunfee, 1994). Since business ethics are not bounded by laws directly, referred to as discretionary responsibility beyond compliance with laws, these are normative concept (Waddock and Smith, 2000). Despite the lack of concrete structure, it is widely acknowledged that global ethics are based on moral obligation. In this moral discourse, human rights are deeply grounded as a core concern (Sen, 2004). Donnelly (2013) defines human rights as “literally the rights that one has simply because one is a human being (Donnelly, 2013, p. 7)”. The inalienable and universal human rights are referred as the means leading to a dignified life to ensure autonomy and protect human freedoms which are the most essential moral rights (Wettstein, 2012). Thus, the concept of human rights is based on moral discourse and can be encompassed by CSR practices in terms of business ethics, which goes beyond financial concerns.

The studies of human rights and CSR are relatively new in IB domain, there is a need to develop and discuss human rights within CSR (Wettstein, 2012). Although some scholarly efforts have been made to examine main factors to encourage firms to adopt human rights practices within CSR (Harrelson-Stephens and Callaway, 2003), relatively less attention has been devoted to linking human rights to the CSR agenda in IB domain. The concept of CSR and human rights in business is not well-defined (Mayer, 2009). IB scholars still put effort into understanding the interface of CSR and human rights (Haynes et al., 2012). In the business literature, CSR is a broad term dealing with various forms of corporate moral responsibility such as “human rights” and “sustainability” etc. Among CSR affiliated issues, sustainability has received the most consideration, while the field of human rights in business has struggled due to ambiguity in specific definitions and direction.

In light of above, several academic attentions have been paid to emphasize the necessity of in-depth investigation of human rights within the sphere of CSR (Arthaud-Day, 2005, Preuss and Brown, 2012). For example, Arthaud-Day (2005) draws our attention to the concept of human rights as primary components within CSR. The researcher suggests some empirical CSR research agenda concluding that human rights within CSR would be need of consideration in international setting. In

highlighting the significance of human rights within CSR, Preuss and Brown (2012) analysed empirically adoption percentages of human rights in the CSR tools of FTSE 100 firms based on content analysis. They find that 57.1% of companies adopt human rights in their CSR tools, whereas 42.8% do not tackle human rights issues. This infers that firms have started to incorporate human rights in the sphere of CSR initiatives.

3.2.1 Differences between human rights and CSR

The studies between CSR and human rights in business have distinctive but overlapping discussions (Ramasastry, 2015). Although both concepts involve corporates' responsibility emerging from the social impact that the corporations make, they are two distinctive disciplines with several differences. First, the origins of both concepts are different. The literature of CSR has developed from business scholars, while studies of human rights have roots in the law (Engle, 2004, Avery, 2006). Since infringement of human rights generally caused by states, under international law; the role of governments were more emphasized over business (Preuss and Brown, 2012, Mongelard, 2006). Second, the foci of discussions over CSR and human rights differ as well. The literature of CSR observes a comprehensive discussion on the impact of CSR on firms' corporate competitive advantages in the market (Porter and Kramer, 2007, Burke and Logsdon, 1996) or firms' performance (Brammer and Millington, 2008, Gjøllberg, 2009). For instance, several studies point out that the relationship between CSR and corporate financial performance is expected to be positive in long-term (Brammer and Millington, 2008). CSR practices could be viewed as time-consuming activities, which pays off over time with enhancing corporate image (Lamond et al., 2010), overcoming negative coverage by the media (Klein and Dawar, 2004) and obtaining legitimacy by a variety of stakeholders (Yang and Rivers, 2009). For these reasons, significant numbers of academic attempts have been made by scholars (Porter and Kramer, 2007, Husted and Allen, 2006) to consider CSR as a long-term strategy, which leads to firms' enhanced performance. However, the literature of human rights in business put emphasis on the role of business as well as government (Ramasastry, 2015). Since the infringement of human rights by MNEs largely has been caused by governance gap, the concern of how to minimize and reduce the governance gap emerges at the core of discussion in human rights studies (Ruggie, 2008, Ruggie,

2011). Hence, human rights scholars tend to urge governments to offer proper remedies for victims of human rights violations by MNEs and for corporations to respect human rights as corporate citizens.

3.2.2 Similarities between human rights and CSR

In contrast to the differences mentioned above, studies also propose similarities between the two concepts CSR and human rights. Some portions of extant literature explain that there is an intersection point to be discussed (Wettstein, 2012, Osuji and Obibuaku, 2014). First, both concepts point to the same direction for organizations to be “corporate citizens” i.e., to act in a socially responsible way. Both literatures emphasize the social role of firms in society. Active discussions about corporate social role can contribute toward making corporations corporate citizens behaving in socially responsible ways to any host country, a firm has presence in. In literature, the term “corporate citizen” refers to “legal entities with rights and duties as, in effect, ‘citizens’ of the states within which they operate” (Marsden, 2000). Regardless of the location of business operation and the external environment of the host countries, MNEs are supposed to act as corporate citizen in society. By highlighting the corporate social roles, the human rights and CSR disciplines could encourage firms to conduct business ethically as social actors. Second, both disciplines function in a complementary way. The obligatory nature of human rights could specify and strengthen the voluntary nature of CSR (Osuji and Obibuaku, 2014). Since CSR covers a broad-range of business ethical issues such as sustainability, environment and human rights, general consensus about definition of CSR has not yet been established (Kolk, 2016). On the other hand, in the human rights domain, there are specific guidelines formed by international regime such as UN and OECD. Those global standards for protection of human rights could guide a precise way for corporations to behave in socially responsible way. All things considered, human rights and CSR disciplines have different but complementary characteristics. Therefore, there exists a high possibility to discuss and connect human rights to CSR issue in domain of international business studies.

3.2.3 Summary of Research Theme 2

Previous studies have made continuous efforts to challenge and support the embeddedness of human rights concept in CSR. Most of the studies exploring this linkage between human rights and CSR are conceptual in nature. However, it seems

that a general consensus has been achieved in inclusion of human rights in CSR despite the differences mentioned by a few previous scholars. The author believes that the debate between inclusion and exclusion of human rights from CSR should be tested and proposed on the basis of empirical analysis. The questions could be if human rights are included in CSR, to what extent, resources are spent towards ensuring human rights than spending on creating awareness regarding other CSR practices such as sustainability. On the other hand, if human rights are practiced separately from CSR by organizations, how do they balance both the activities in terms of usage of resources? Both the questions should be investigated empirically, which could put an end to the debate on embeddedness of human rights in CSR.

3.3 Research Theme 3: Focus on MNE's human rights practices and violations

The third research theme has been observed on the study of the human rights practices and violations of MNEs in home and host countries. The literature in international business is replete with investigation of MNEs' economic influence on host countries by reason of diverse spillovers effects (Ghuri and Yamin, 2009, Marin and Giuliani, 2011). For instance, MNEs have resulted in several benefits for host countries contributing to increase in GDP, economic development and employment by enhancing working conditions (Blomström and Kokko, 1998). Further, MNEs can convey capital, modern technology which has led to improve local living conditions, marketing skills and managers who are willing to improve their economic investment to host countries (Spar, 1999). On the other hand, the pessimists have explained that MNEs promote poverty and inequality in an unbalanced process (Herrmann, 1995). MNEs tend to exploit the non-restrictive environmental and social principals in foreign countries (Low and Yeats, 1992, Lucas et al., 1993), and enhance working poor and unemployed poor in some regions (Skarstein, 1998). Although there is no consensus on economic influence of MNEs, it is obvious that a rich literature has put more weight vehemently on the economic impact of MNCs to date rather than societal impact of corporations (Beugelsdijk et al., 2010). Compared to MNEs' economic effect, relatively little is known about the social ramifications of MNEs' business activity in existing studies (Giuliani and Macchi, 2013), even though the business operation of MNEs can also facilitate social repercussions in host countries (Spar, 1999).

Similar to the economic impact of MNEs, a great deal of debate on the social impact of MNEs on host countries is filled with controversies including both positive and sceptical views (Giuliani and Macchi, 2013). Based on optimistic view, it is clear that MNEs have awakened particular issues in connection with global trends having positive impact on host countries by dealing with social concerns at the core of operation (Weissbrodt and Kruger, 2003, Porter and Kramer, 2007). They have the ability to influence all operations of company, including the enforcement of labour rules and other workplace conditions which ultimately can lead to enhancement of welfare for local people. Until now there have been various successful events, where firms have responded positively to their ethical responsibilities (Preuss and Brown, 2012). For instance, in 2011, UNIQLO established Grameen-UNIQLO cooperating with Grameen Bank to start welfare initiatives for local people and promote economic development in Bangladesh (Teresa, 2014). The cooperation of these two leading social enterprises has built virtuous system which can lead to simultaneous value creation in society and business. This joint venture obviously demonstrates that MNEs could successfully enhance quality of local peoples' lives.

On the other hand, negative views of social impact of MNEs are also vigorous (Idemudia, 2009, Meyer, 1998, Wettstein, 2009). By concentrating on financial gains, MNEs could destroy environment, violate human rights and weaken local living conditions (Meyer, 1998). Especially, in less-developed countries such issues emerge frequently due to a lack of strong formal institutional policies (Yang and Rivers, 2009). The absence of strong institution has permitted considerable freedom for MNEs to operate business to their own advantage to maximize profit (Low and Yeats, 1992, Lucas et al., 1993). There is very recent evidence that how corporation could take advantage of weak institution in less-developed countries and how such business operation could gravely threaten lives of people in the society. Oxy Reckitt Benckiser, one of the British producers of health, hygiene and household products, became the focus of public censure due to a toxic chemical in humidifier sterilizer. According to official announcement from the South Korea Ministry of Environment, 95 people died and more than 200 people have suffered physically as well as mentally from the toxic sanitizer (Times, 2016). Estimated unrevealed victims are around 1000 people and this figure exceeds the known victims (Times, 2016). Apart from the number of victims, what is probably more shocking about the incident is

that Oxy Reckitt Benckiser sold humidifier sterilizer with toxic chemical only in South Korean market, which has comparatively weak restrictive institution. Although the company's headquarter is located in UK, due to strong restriction, it fails to pass the examination to sell the toxic sanitizer in European market. This incident obviously has revealed that the level of institution in host countries can significantly affect business operations, which can ultimately affect people's lives.

However, literature suggests that the tendency of MNEs to conduct CSR has increased significantly over the past decade. Over 8,000 businesses in the world are now showing their engagement in CSR. For example, by signing UN Global Compact and the majority of FORTUNE 500 firms is issuing CSR reports, which is a largely augmented result considering there were only 12 MNEs undertaking CSR ten years ago (Times, 2012). Along with rising interests among practitioners, there has been continuous attention on CSR in recent years, and several attempts have been made by previous studies to establish its growing importance in the business activities of multinational enterprises (Husted and Allen, 2006, Kolk and Tulder, 2010). Substantial scholarly efforts also have been made to examine what drives MNEs to participate in CSR and what the anticipated result is (e.g., Lamond et al., 2010, Klein and Dawar, 2004, Yang and Rivers, 2009, Brammer and Millington, 2008).

3.3.1 Summary of Research Theme 3

International Business literature has over the years put impetus on studying outsourcing and offshoring of business practices from developed to emerging countries and lately from emerging to developed countries through multinational firms. However, the literature discussing human rights or in fact CSR as a broad research theme, has not been able to follow the mainstream IB literature. Scholars are still focusing on exploring human rights norms (as discussed in research trend 1), its affiliation to CSR (research trend 2) and on understanding how firms practice human rights in developed countries. Few scholars have tried to start the debate on human rights violations of MNEs from developed countries in foreign countries. Yet the author believes that it is highly important to investigate why MNEs behave in a socially responsible way in their home developed countries (if they do) and why the same MNEs violate human rights norms in foreign countries. The author suggests a need for more comparative studies between human rights practices of MNEs between

their home and host countries in order to be able to identify the reasons for such bipolar social behaviour of MNEs.

Chapter 4. Discussion

4.1 Discussion of Research Avenue 1

Research Avenue 1: Influence of institutions on MNEs' human rights practices in CSR

Even if human rights lately have received some attention from scholars and business practitioners, very little research has been undertaken to see how such MNEs practice human rights in two geographic locations especially when one country is a developed nation and the other one is an emerging country.

It is widely accepted that emerging markets have significant economic influence with speedy growth of MNEs; therefore human rights-CSR related debates are also expected to follow the trend (Gugler and Shi, 2009, Yang and Rivers, 2009). Surprisingly, most present CSR discussions still target developed economies (e.g., Fuller and Tian, 2006, Murillo and Lozano, 2006, Gugler and Shi, 2009), leaving a big room for further studies to address CSR in emerging countries. Due to inadequate number of attempts made to discuss human rights practices from MNEs by academic researchers, many questions have remained unanswered, such as does MNEs from developed countries practice identical human rights in foreign locations especially in the developing countries, where human rights violations are not considered to be utterly surprising. The comparison between human rights practices of MNEs in emerging and developed countries is interesting and important from two reasons.

First, Harrelson-Stephens and Callaway (2003) illustrate the trade openness promotes security rights in developing countries. During the past decades, the debates around impact of MNE operations on economic development have moved to a more central position within IB domain (Ghauri and Yamin, 2009). IB research commonly concentrates on analysing MNEs' economic impacts on host countries through various spillovers effects (Marin and Giuliani, 2011). The main concern is generally investigation of the external effects of IB strategy involving its developmental impacts. In this context, it is worth conducting research about social consequences of MNE's operations and the effect that they have on the rights of employees, local communities and consumers. Limited research has analysed MNE's human rights behaviour in relation to internal organization, headquarters-subsidary governance

and communication models, modes of entry, their internationalization strategies, liability of foreignness, and distance between home and host institutional environments, in relation to CSR and human rights. This shows that the field of MNEs and human rights is in need of a more empirical research which can propose an IB-centred research framework to consider the motivations and consequences of MNEs' human rights conduct in host countries.

Second, emerging and developed countries differ considerably in strength of their institutional policies. While developed countries are known to possess strong institutional framework, the emerging countries are ill-reputed for their weak institutional policies. Emerging countries are extensively dependent on foreign direct investments and therefore, it is not surprising that they are inclined towards adopting weak institutions, which would create a favourable environment for the business to grow and to bring economic benefits to the emerging country.

As shown in Figure 4, the top-down process of human rights norms formation explains that governments implement rules or regulations of human rights MNEs have to follow to get business legitimacy in host countries. Top-down process is described as an approach that requires firms to design their organizational strategies according to the laws set by the government. Top-down approach also reassembles with "institutional theory", which suggests that institutional policies influence organizational decision making (North, 1990). Therefore, the institutions could be the key factors, which put pressure on MNEs to follow and transform strategy accordingly.

Institutions can be categorized into two different types: formal institutions and informal institutions (North, 1990). Formal institutions entail laws, regulations and rules which are legally binding, while informal institutions include norms, cultures and ethics, which get widely embedded in community over time. Since MNEs operate internationally in multiple countries with various institutions, they often face different, conflicting institutional pressure in undertaking business operation. This institutional difference might generate uncertainties and unfamiliarity of the surroundings in host countries (Kostova and Zaheer, 1999). The ambiguity could be called as "Liabilities of foreignness" (Luo, 2002), which can cause significant unanticipated costs. Since liabilities of foreignness have made MNEs difficult to operate business in foreign markets; they try to surmount the difficulties by

conforming to the institutional pressures and alter corporate strategy (Meyer and Rowan, 1977). Compliance to institutions helps them reduce the ambiguity of environments by making them acquire sustainable business legitimacy and social validity which tend to augment organizations' probability of survival (DiMaggio, 1988, Zucker, 1988). Therefore, institutional factors could pressurize corporations for becoming "corporate citizens" acting in socially responsible ways.

However, in case of less-developed countries evidently lacking such institutions, it is difficult to put pressure on MNEs for being socially responsible (Yang and Rivers, 2009). Therefore, it is obviously inferred that the CSR policies of MNEs' from developed countries which have strong institutions differ from those of local firms in emerging countries which have weak institutions. Due to institutional gap between home and host countries, human rights practices by MNEs can be different. The previous literature so far has emphasized on CSR through institutional theoretical lens (Matten and Moon, 2008, Brammer et al., 2012), but it has not investigated the level of difference of CSR policies between foreign MNEs' human rights practices in CSR and local firms. Accordingly, such different institutional background could raise inquiries on to what extent foreign MNEs' human rights practices differ from those of local firms in emerging countries.

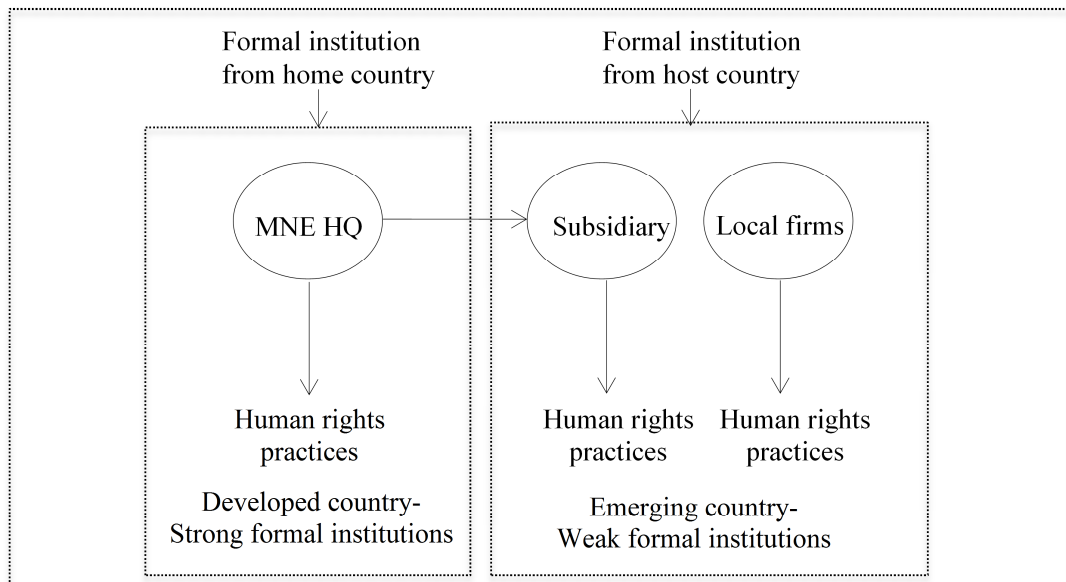


Figure 4 The top-down process of human rights norms formation

4.2 Discussion of Research Avenue 2

4.2.1 Research Avenue 2

Research Avenue 2: Development of formal institutions in human rights by stakeholders

In this section, the author proposes that human rights norms may become formal institutions in a geographic location through stakeholders. Two types of stakeholders can influence such norm formations and these are: Intergovernmental Organizations (IGOs) and Business Elites. How these stakeholders may form formal institutions in human rights is described below in two individual sections.

4.2.2 Research Avenue 2A

Research Avenue 2A: Development of formal institutions in human rights by Intergovernmental Organizations (IGOs)

There has been heightened awareness of the role of MNEs in society, after the initial global launch of United Nations Global Compact (UNGC) on 26 July 2000, which is viewed as the largest CSR initiative emphasizing social expectations required of 21st century corporations and providing a universal guideline of ethical value for all businesses (Voegtlin and Pless, 2014). The UNGC covers ten principles concerning voluntary corporate responsibility pertaining to four broad sections: human rights, labour, environment and anti-corruption. Through these 10 principles, UNGC called upon business to adopt the fundamental moral standards into their operations (Cetindamar, 2007). Since its inception, the number of participants has incessantly increased, reaching to more than 8,000 corporations from 140 countries (as of April 2016). All participants are required to hand in a Communication on Progress (COP) report on annual basis considered as the only evaluation tool to monitor corporations' adherence and commitment to the ten principles. Signatories that fail to submit the report within two years of joining the compact can be expelled from the list of members and in 2010, in fact, 1,717 firms were ripped off membership (Compact, 2010).

However, COP reporting system has faced substantial amount of criticism. UNGC does not specify what to be included in COP report and hence the content to be added in the COP report entirely depends on the organization. Hence, the quality of COP reporting may not be uniform among organizations. Yet irrespective of quality

of the reports, UNGC, which has less than 30 staff members, receives thousands of reports every year (Zammit, 2003), which suggests that the members apparently face difficulty in checking all documents to depth (Sethi and Schepers, 2014, Kell, 2005). Therefore, the quality of the reports still remains dubious (Zammit, 2003). On the other hand, COP reports submitted by the corporations are made easily accessible to the public on the UNGC website under the assumption that interested stakeholders from diverse backgrounds can assess these reports. However, it is highly vague to what extent; such stakeholders actually consider COP reports as an assessment tool (Rasche et al., 2013). This concern leads to the question of effectiveness of UNGC on the ground (Nolan, 2005, Baumann-Pauly and Scherer, 2010). Due to the characteristic of self-regulatory initiatives, it could not force signatories to adhere to principles. Therefore, a growing number of academic studies emphasize that UNGC has to improve its sophisticated assessment tool of implementation of ten principles and it should not be just limited to COP reports (Sethi and Schepers, 2014). With no pre-defined evaluation standards, UNGC has shown more inclination towards enhancing participation rate, rather putting importance on investigation of participants' actual actions. As long as UNGC continues to concentrate on the quantity of signatories, it would be difficult to avoid vigorous criticism of the promise-performance gap, which remains major challenge for UNGC (Voegtlin and Pless, 2014).

In business community with significant number of stakeholders, literature from the CSR domain seems to be obsessed with UNGC initiatives. Substantial amount of scholarly attention lately has been offered to investigate the gaps in programme development of UNGC. It suggests that UNGC has the potential of eliminating corporate violations of human rights. There exist two primary factors that may persuade MNEs to adopt human rights practices in countries-

Factor-1: Either strong institutional policy is enforced from the government of the countries, in which the MNEs operate.

Factor-2: "Generally accepted human rights norms" are present in the corporate community and in today's business, which is driven by imitation of others' practices and competition, MNEs cannot stay away from such "generally accepted norms" in any country they operate in irrespective of the external institutional policies from the government.

Strong institutional policies from the government (Factor-1) are present in developed countries, while less-developed countries lack such policies (Yang and Rivers, 2009). In particular, in less-developed countries, due to weak institutional pressure, the violation of human rights is often more. Therefore, to protect human rights in such less-developed nations, presence of “generally accepted human rights norms” is substantially important. UNGC initiative is one of such norms for protection of human rights that UN has created over the last two decades. UNGC norms are not legally binding and also UN often lacks political power to influence the policymaking scenario in countries around the world. Hence, UN cannot ask governments of less-developed countries to strengthen institutional policies to protect human rights (factor-1). Further according to the definitions of stakeholders, UN is actually a stakeholder and may fall under the category of IGOs. However, the advantage that UN has over other similar kinds of IGOs that UN has a global reach and maintains its presence in different parts of the world through global value chain. Therefore, although, UN may not be able to force governments of countries to implement strong institutional policies for human rights protection, yet it may rather make human rights “norms” for corporations to follow.

Since prerequisites to participate in UNGC for firms are low, it could provoke corporations to join with ease and improve transparency (Voegtlin and Pless, 2014). Especially, UNGC’s low requirements are likely to allow members to involve with the issue of CSR, by bringing companies together under the compact (Scherer and Palazzo, 2011). By virtue of such norms, UN, as a stakeholder, would be able to contribute toward making MNEs “corporate citizens” behaving in socially responsible ways like a citizen abiding by social responsibilities (Marsden, 2000). Corporate citizens are supposed to follow universally accepted norms in corporate community, irrespective of business environment. A universal norm becomes an institution i.e., the new rule of the game (North, 1990, Waddock, 2008), if majority of the firms starts to follow it. Hence, it can be expected that UNGC norms have the potential to become institutions. As Rasche et al. (2013) mentioned, UNGC is one of the most powerful voluntary CSR initiative for advancing corporate responsibility and ultimately setting “universal moral standards”.

However, UNGC has been criticized by literature concerning legitimacy (Mena and Palazzo, 2012). There is no specific evidence supporting the claim that UNGC has

succeeded to induce its members to improve their social responsibility. According to content analysis conducted by the International Centre for Corporate Accountability Inc., 221 firms out of 513 firms publicized CSR-S reports from 2009 to 2010 based on a worldwide database indicated their membership to UNGC, but none of them described how much they have progressed on implementation of the ten principle at their workplaces (Sethi and Schepers, 2014, Reports, 2010). Such analysis in literature raises questions on if UNGC's norms are actually accepted in practice by MNEs and it, thus, opens up the requirement of a more in-depth empirical research for evaluating whether or not UNGC norms have already become institutions among MNEs is a matter of empirical investigations.

If the answer is “No” to the question “whether or not UNGC norms have already become institutions?”, future researchers should explore how UN can make UNGC as an institution. In contrast, if future empirical evidences support that UNGC norms have already become institutions, a new perspective would arise in the grey area between the “stakeholder theory” and “institution theory” and this new theoretical perspective would be “when/how stakeholders such as IGOs make institutions?”.

4.2.3 Research Avenue 2B

Research Avenue 2B: Development of formal institutions in human rights by Business Elites

Ethical norms are not legally binding, but they are ought to be followed and when norms have been violated, sanction can be imposed (Segerlund, 2007). Thus, norms served as guidance in society (Sjöström, 2010). Norms evolve over the time with three stages such as norm emergence, norm cascade and norm internalization. This process is called as norm life cycle (Finnemore and Sikkink, 1998). Figure 5 explains how the norm life cycle can work.

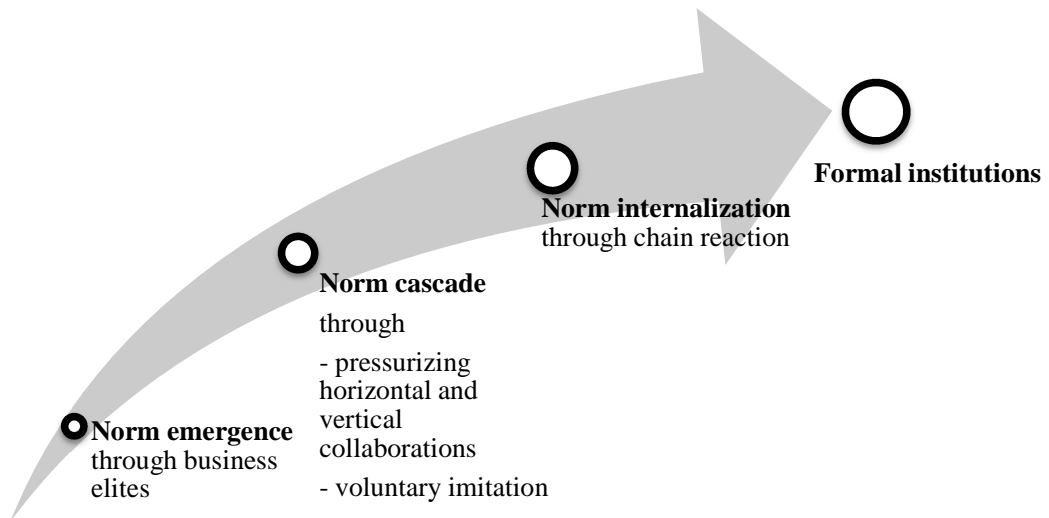


Figure 5 Modified the norm life cycle model (Finnemore and Sikkink, 1998, Sjöström, 2010)

4.2.3.1 Norm Emergence

Viewed from “resource-based perspective” (Barney, 1991, Penrose, 1959), firms could be considered as a conglomerate of resources. These resources can be categorized into intangible and tangible forms (Wernerfelt, 1984). Intangible assets refer to resources, which take considerable time to get acquired and are difficult to measure. Examples of intangible assets could be brand equity, social capital and organizational tacit knowledge etc. On the other hand, tangible resources are those, which are visible to outsiders such as products, financial capital or human resources. The more these resources corporations hold are valuable, rare and inimitable, the more the competitive advantages are enhanced (Barney, 1986, 1991).

It is deemed equitable that large enterprises with bigger scale operations have more resources than small firms, since they have a great deal of tangible and intangible forms of resources inclusive of employees, diversified products, cash flows, advanced technology and administrative processes etc. Resources have allowed large firms to possess high organizational power over small firms as existing empirical evidences (e.g., Udayasankar, 2008, Meznar and Nigh, 1995) have explored a linkage between organizational sizes and power.

New norms could emerge arise “by agents having strong notions about appropriate or desirable behaviour in their community” (Finnemore and Sikkink, 1998, p. 896). The author believes that business elites could be the pioneers in introducing human rights norms in a business community. This belief is backed by two main reasons.

First, as large firms are commonly visible to the wide range of stakeholders, they face higher levels of regulation and scrutiny (Brammer and Millington, 2006). Therefore, it is likely that for large firms due to their high visibility, even a small scandal often becomes the headlines of news reports and hence, could easily face boycott from consumers. For instance, consumers of Johnson & Johnson boycotted against animal testing, and Nestle was the target of a boycott due to violations of labour and environmental rights. There was also a boycott against the world's biggest coffee distributor, Starbucks, because the firm made major profits by buying coffee beans from overseas farmers at low prices. In this way, stakeholders can show sensitive reactions to the irresponsible behaviour of large firms (Bhattacharya and Sen, 2004). Therefore, high exposures to stakeholders can persuade firms to behave in socially responsible way (Saiia, 2000, Brammer and Millington, 2006). In fact, Perrini et al. (2007) investigated 3,680 Italian firms and found out that firms with high visibility are more inclined to undertake CSR practices especially in employment and environment domain.

Second, CSR is not easily affordable financially for small firms. Because CSR practices could generate cost and make difficult for firms to acquire immediate short term profit, CSR practices could be burden on small firms. In contrast, large corporations could easily afford cost caused by CSR activities as they hold the essential resources to carry support the cost (Perrini et al., 2007). As prior literature argues that the relationship between CSR and corporate financial performance is expected to be positive in the long term (Brammer and Millington, 2008), CSR practices could be viewed as time-consuming activities which pays off over time with enhancing corporate image (Lamond et al., 2010), overcoming negative coverage by the media (Klein and Dawar, 2004) and obtaining legitimacy by a variety of stakeholders (Yang and Rivers, 2009). For these reasons, numerous academic attempts have been made in previous studies (Porter and Kramer, 2007, Husted and Allen, 2006) to consider CSR as long term strategy which might be affordable to only large corporations i.e., to business elites.

Therefore, human rights norm emergence may occur through business elites.

4.2.3.2 Norm Cascade

Although norms may emerge through one entity (such as business elites), norms cannot be shaped by one entity alone; they entail collective expectation (Sjöström,

2010). In the context of human rights norms formation, agents could be large corporations with high organizational power and high visibility defined as ‘business elites’. Business elites often carry substantial supply chains penetrating across geographic boundaries. Business operations within supply chains are closely interlinked and affect each other’s reputation, financial (Lambert et al., 1998) as well as innovation performance (Hsuan, 1999). Therefore, a favourable relationship within business chains is considerably crucial to ensure organizations’ competitive advantage in a market. In order to maintain close rapport, corporations are likely to conform to demand from firms with high bargaining power.

Based on their power, there is a possibility that they could convince other related firms such as suppliers to follow their ethical standards (Mishra and Suar, 2010). On the other hand, if the supplier is a “business elite” and the customer holds comparatively less power, the supplier may persuade the customer to align their ethical standards to those practiced by the supplier or the “business elite”. Previous studies (e.g., Lenox and Nash, 2003) explain that enterprises with high bargaining power especially in the same industry could obviously put pressure on other partner firms to satisfy their ethical trade standards before such vertical collaborations in supply chain. For instance, American automotive company, Tesla Motors, which has over 300 international suppliers, asks its suppliers to adhere to a certain set of ethical standards. Tesla’s supplier selection mechanism considers ethical standards compliance as an important requirement (Tesla, 2014).

Vertical linkages, where firms are engaged in a buyer-supplier relationship, are not the only form of inter-organizational relationships. Firms also engage in horizontal technological collaborations with direct and indirect competitors. Literature has not really explored if such technological partnerships between a business elite and non-elite (i.e., small firm) may result in the non-elite aligning their ethical standards (such as CSR including human rights) to those practiced by the elites. However, based on the previous discussions on vertical linkages, such situations may occur if the business elite is a “corporate citizen”.

Above discussions, thus, point at the possibility of business elites pressurizing their collaborators engaged in both vertical and horizontal linkages, to practice the same set of ethical norms as theirs. Meanwhile, it is also noteworthy that corporations are known for imitating the business practices of competitors (Oliver, 1997). Empirical

evidences of imitations could be easily observed in new product development strategies and marketing strategies. Corporations even hire employees from competitors to get access to information regarding their competitors' strategies on developing new technologies and products (Agarwal et al., 2009) and the same also applies for marketing strategies. Example of imitation of marketing strategies is visible in worldwide benchmarking of subscription-based business models and online shopping in retail industry. In contrast, whether or not firms copy their peers' CSR practices, has not been empirically studied by the previous literature. However, Boehe and Cruz (2010) propose that imitation from successful competitors' CSR practices could help multinational enterprises to acquire business legitimacy in host countries, which have unfamiliar business environment compared to their home countries.

In light of above, the question may arise why companies voluntarily imitate competitors' CSR practices and if such imitation could bring some advantages for the corporation that imitates. Marketing literature observes a growing trend in customers checking "Quick Response" (QR) codes of products before making a purchasing decision. QR codes are bar codes embedded on products that contain information in coded form regarding the ethical standards (including CSR) followed by a particular company and its adherence to the laws set by the government on ethics, human rights and similar social issues (Okazaki and Barwise, 2011, Atkinson, 2013). The coded information can be decoded into text form by scanning the bar code using smart phones (Okazaki, 2009). Therefore, recent studies (e.g., Atkinson, 2013) argue that to become more competitive in the market, a corporation should adopt similar ethical standards set by the competitors and should display an account of their practices to the customers through QR codes. Therefore, enterprises are expected to imitate the CSR activities of successful firms (Bondy et al., 2012) and thus, resulting in flow of ethical standards from one company to the other through voluntary imitations.

Therefore, based on literature, it can be argued that there is a possibility of one company (elites and non-elites) adhering to another (elites). It can occur in two ways: [a] business elites pressuring collaborators to practice the same set of ethical norms and [b] voluntary imitation of ethical standards of an elite's ethical norms by competitors (which can be both elites or non-elites) in the market. For these reasons,

large corporations with high power are in better position to become one of the firsts to adopt CSR practices in a business community because they could afford it. Furthermore, due to the considerable degree of power they hold, business elites could also convince other firms to follow the same set of CSR practices directly or indirectly as stated before.

4.2.3.3 Norm Internalization

From previous discussion, it is likely that one business elite may influence a few firms. In contrast, for a set of CSR practices to become widely established norms in a business community, it needs more than half of the firms from the business community to practice it. Which could be possible only through a particular process called “chain reaction”. The concept of “chain reaction” originated from Chemistry discipline. According to Merriam-Webster Dictionary (2016), “chain reaction” can be defined as “a self-sustaining chemical or nuclear reaction yielding energy or products that cause further reactions of the same kind”. Similarly, within business community, one business elite may be able to persuade its collaborators and immediate competitors directly and indirectly to follow same set of CSR practices that it does. If the collaborator is again a business elite or may potentially become business elite in near future, can convince its own collaborators to adhere to the same set of CSR practices. This reaction continues and if it reaches to more than 50% of the firms in a business community, it can make sure that the set of CSR practices once started by one business elite has become the widely acknowledged norms in the business world. Such a chain reaction to reach its objective may take several years or even several decades depending on how socially responsible the business elites are and to what extent they pressurize their collaborators and competitors to become socially responsible organizations.

Literature argues that largely adopted norms could over time contribute to the establishment of legally binding rules or regulations (Weissbrodt and Kruger, 2003). In other words, as the majority of companies follow a certain set of ethical norms (such as human rights standards within CSR) set by business elites; it can influence policymakers to announce those norms as formal institutions of countries. This can be termed as “bottom-up process” of human rights norms formation. Bottom-up process refers to an initiative that starts from the industry and later becomes a law or influences the policymakers to change their existing laws to match the initiative (e.g.,

Fraser et al., 2006). Bottom-up process is the opposite approach of the previously mentioned top-down process.

Thus, one business elite making widely established norms through chain reaction and subsequently such norms becoming institution in a country can be termed as bottom-up approach of policy formation and it could be expected in case of emerging countries, which are characterized by weak institutional framework. It is well understood that governments of emerging countries do not show willingness to implement strong policies to control and monitor ethical behaviour of corporations because it may hinder their industrial growth. Hence, business elites that are socially responsible, may voluntarily decide to practice ethics and if such practices reach majority of firms, it may persuade the policymakers of emerging countries to make such practices an obligation or formal institution. Conceptually I propose that business elites, which are nothing but stakeholders in a business community, can influence the institutional decision making of the policymakers, which is a reverse perspective of the Institutional theory proposed by North (1990). This perspective of “stakeholders making institutions” has not been explained or proposed before by the extant literature and therefore requires further conceptual and empirical testing.

In addition, my proposition of stakeholders (business elites) making institutions is based on the assumption that CSR is beyond just a business strategy. Although some academic literature (e.g., Porter and Kramer, 2007, Gugler and Shi, 2009) has tried to explore the business advantages that CSR brings to a corporation in both long-term and short-term and termed CSR as a competitive business strategy, I argue that the main objective behind adopting CSR practice is serving social responsibilities voluntarily without looking at the business gains. Some corporations are already playing their social role as corporate citizens through CSR. Hence, business profit could be an additional incentive, but is not a requirement for practicing CSR.

4.2.4 Summary of Research Avenue 2

From above discussions of research avenue 2A and 2B, it can be argued that there exist a possibility of stakeholders (such as IGOs and business elites) making formal institutions in human rights. That means a norm is first introduced by IGO or business in a business community and through pressurization, imitation and chain reaction, those norms become informal institutions (or generally accepted norms) in the business community. Such informal institutions may influence policymakers over

the time to acknowledge them as formal institutions. This process can be also termed as bottom up process of human rights norm formation, which is completely contrasting proposition of what research avenue 1 suggests (i.e., top down process of human rights norm formation). If the proposition of bottom-up human rights norms formation is seen from theoretical lens, it can be called the reverse way of what institutional theory proposed, i.e., stakeholders follow institutions but, it is proposed here that institutions could follow stakeholders, since stakeholders could make institution. Hence, supporting or rejecting research avenue 2A and 2B through empirical analysis could make significant theoretical contributions. Figure 6 presents a visualization of bottom-up process of human rights norms formation.

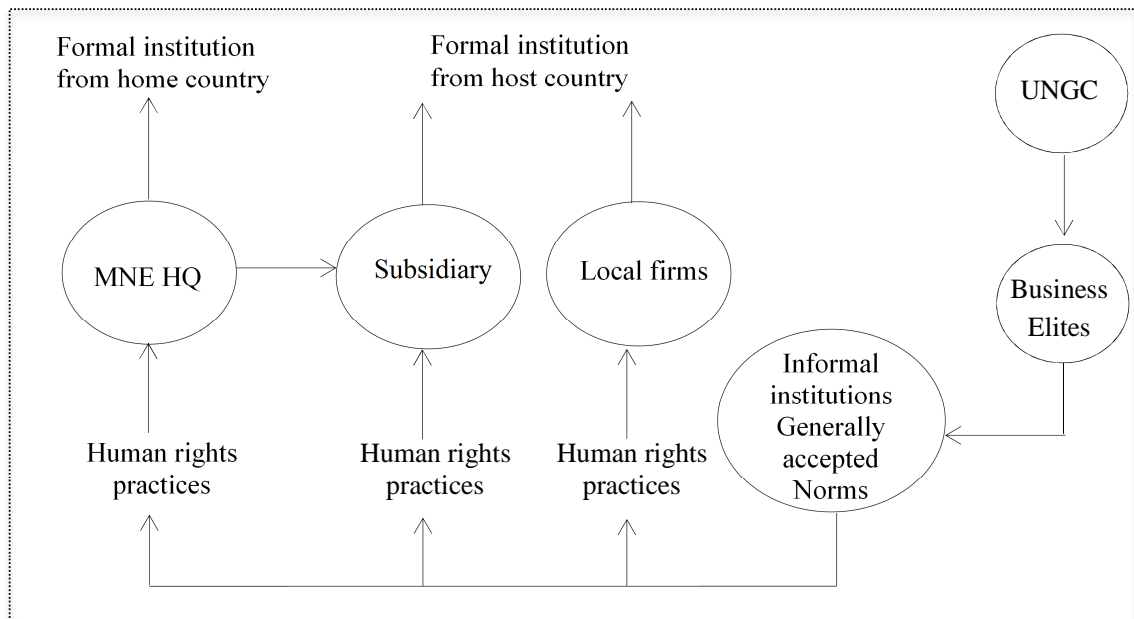


Figure 6 The bottom-up process of human rights norms formation

4.3 Discussion of Research Avenue 3

Research Avenue 3: Influence of HQ-subsidary relationship on subsidiary's human rights practices

Considerable scholarly efforts have been devoted to classify the types of MNEs (Hedlund and Ridderstrale, 1997, Harzing, 2000, Bartlett and Ghoshal, 1989). In particular, the categories suggested by Bartlett and Ghoshal (1989) are generally referred to as the most influential typology (Harzing, 2000). They proposed four types of organizations: multinational, global, international and transnational corporations based on the local responsiveness and global integration among

subsidiaries and headquarter (Bartlett and Ghoshal, 1989). The MNE classification provided by Bartlett and Ghoshal (1989) has been presented in Table 1.

Table 1 MNE typology (source : Bartlett and Ghoshal, 1989)

MNE Type	Local responsiveness	Integration between HQ & subsidiary
Transnational	High	High
Global	Low	High
Multinational	High	Low
International	Low	Low

The relation between headquarter and subsidiary plays a crucial role in selection of business strategies in foreign subsidiaries. For example, MNEs may prefer to place their expatriates in charge of subsidiaries so that knowledge could be transferred from headquarter to subsidiary effectively during initial period (Eirma, 2011). However, researchers (e.g., Morris et al., 2015) have also argued that business strategies such as human resources management practices need to be designed carefully to match the political and institutional environment of the host country. Therefore, possibilities may exist for business strategies implemented by subsidiaries in host countries to be different from those employed by headquarters in their home countries. Regardless of host country's environment, scholars have widely accepted the effect of HQ-subsidiary relation on subsidiary's business practices; yet have remained silent on CSR strategies.

Whether or not headquarter-subsidiary relation affects selection of CSR strategies have not been investigated by IB scholars. This gap was raised by Arthaud-Day (2005); which suggested that CSR activities might be different according to typology of MNEs. For instance, transnational firms, which have high local responsiveness and high degree of integration between HQ and subsidiary, could undertake widely acknowledged CSR practices as well as adjusted activities conforming to local demand, while global firms with low local responsiveness are expected to have common CSR practices anywhere, the MNEs have presence in. Thus, based on typology of MNEs, CSR practices can vary and there exist a necessity for empirical

evidence (Arthaud-Day, 2005). However, surprisingly no recent study has made any effort to address the research gap; rather a decade later Giuliani and Macchi (2013) highlighted the same question after a critical literature review of CSR practices. Therefore, there is a need for investigations of this long-awaited research gap, yet with a more impetus on the human rights policies within CSR strategy and possibly using Bartlett and Ghoshal (1989) typology to distinguish different types of HQ-subsubsidiary relation. Therefore, how headquarters-subsubsidiary relation may impact the human rights practices of subsidiaries will be interesting as well as empirically important to explore.

Chapter 5. Future research directions

Based on the three research avenues mentioned in the previous section, potential future research questions with applicable methodology are suggested in this section. The first research avenue is how institutions affect MNEs' human rights practices in CSR. The second research avenue is when/how stakeholders could make institutions in human rights and the third research avenue is how MNE HQ-subsidary relationships influence human rights policies of subsidiaries in a host country. Although these research avenues will not be empirically filled in this thesis, the author believes that with the help of the proposed research questions and methods, scholars in near future could attempt to cover the mentioned research avenues and thus could strengthen the literature on human rights in CSR.

Research Avenue 1: Influence of institutions on MNEs' human rights practices in CSR

Research Avenue 2: Development of formal institutions in human rights by stakeholders

Research Avenue 3: Influence of HQ-subsidary relationship on subsidiary's human rights practices

5.1 Addressing Research Avenue 1

5.1.1 Possible Research Questions for Research Avenue 1

Influence of institutions on MNEs' human rights practices could be investigated precisely if MNEs human rights practices are examined and compared in two different countries having different degrees of institutional strength. For example, a developed country MNE (DMNE) subsidiaries' human rights practices in emerging countries could be compared to those practiced by the DMNE's headquarter in a developed country. Similarly, a comparison can be established between the human rights practices of an emerging country MNE (EMNE)'s headquarter in emerging country to those of its subsidiaries in developed countries. It is well known fact that developed countries and emerging countries differ in strengths of their institutional regimes. While developed countries are characterized by strong institutional policies, emerging countries are found to be employing weak institutional policies (Yang and

Rivers, 2009). Based on this discussion, the following two research questions can be derived.

RQ1A. To what extent, developed country MNE (DMNEs) subsidiaries' human rights practices in emerging countries differ from their headquarters in developed countries?

RQ1B. To what extent, emerging country MNE (EMNEs) subsidiaries' human rights practices in developed countries differ from their headquarters in emerging countries?

In contrast, it might also be interesting to see to what degree, a foreign MNE subsidiary's human rights practices vary from those of the local firms in the same host country. In case of a DMNE establishing subsidiaries in emerging countries, during the initial years, the headquarters often place expatriates as the commanding executives in the subsidiary (Eirma, 2011). This may imply, subsidiaries in emerging countries just adopting similar business practices including human rights to those practiced by their headquarters. Thus, the human rights norms practiced by the subsidiaries will be substantially distinct from the norms implemented by the local firms in that host emerging country. Such a possibility thus leads to the following two research questions.

RQ1C. To what extent, developed country MNE (DMNEs) subsidiaries' human rights practices in CSR differ from those of local firms in emerging countries?

RQ1D. To what extent, emerging market MNE (EMNEs) subsidiaries' human rights practices in CSR differ from those of local firms in developed countries?

5.1.2 Methodology for addressing research questions in Research Avenue 1

Although each research question should be addressed separately, a common methodology "content analysis" can be used. Content analysis is a broadly performed qualitative methodology on secondary data such as company annual reports, contracts and website pages etc. Content analysis can be defined as "a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns" (Hsieh and Shannon, 2005, p. 1278).

To address the four research questions stated above, annual reports (such as CSR documents) published by the companies could be accessed from internet and checked manually or with the help of analysis software (e.g., NVivo) to understand to what extent companies practice human rights. For the first research questions (RQ1A), a particular emerging host country can be chosen (such as South Korea). A list of subsidiaries of DMNEs present in South Korea can be prepared from the local stock exchange index. Now, for each DMNE, the recent annual CSR reports published by both HQ and subsidiary should be analysed separately to investigate to what extent, they differ and if any pattern can be identified. The size of the sample depends on the scholar(s) carrying out the research. Content analysis has been used widely in the past in exploring firms' socially responsible behaviour. For example, Wood (2000) adopted content analysis to explore corporate code of ethics of firms. In case of investigating human rights practices from CSR reports, the content could be compared with the 30 norms/principles announced by the UN Declaration of Human Rights (Preuss and Brown, 2012), which include rights to form and join trade unions, rights to cultural life and rights to nationality etc.

The same approach can be applied to the second research question (RQ1B). Perhaps, the few modifications that need to be made are: a developed host country should be selected and from the country's stock exchange, a list of EMNEs operating there can be extracted. The rest of the analysis can follow the one stated for the first research question (RQ1A) above.

The third (RQ1C) and fourth (RQ1D) research questions explore to what degree, the human rights practices differ between foreign MNE subsidiaries and local firms in a host country. Again initially, a particular host country should be taken into consideration. A list of MNEs and domestic firms should be compiled using databases such as stock exchange reports. Then content analysis could be employed to investigate the differences in human rights practices between the local firms and foreign MNEs in a particular host country.

5.2 Addressing Research Avenue 2

5.2.1 Possible Research Questions for Research Avenue 2

In the results section, the author mentions the need for investigation of how different stakeholders (IGOs and business elites) may help formation of formal institutions in

human rights in a global or regional scale. UNGC initiative is one of the most widely recognized efforts from an IGO to promote human rights in the business community. However, as mentioned before, since UNGC was formally initiated in the year 2000 and as of now, the initiative has already crossed 15 years; it is perfect time to examine the effectiveness of UNGC initiative in promoting human rights in business. It can be done by exploring the human rights practices of MNEs country-wise or globally and to see to what extent the human rights norms followed by the MNEs match with the norms stated in the UNGC guideline. If majority of the MNEs in a particular geographic location follow the UNGC specified human rights norms, it could then be concluded that UNGC specified norms have become “generally accepted norms” within the business community. If future researchers observe a positive response i.e., UNGC human rights initiative has already gained reputation as “generally accepted human rights norms”, it would then be interesting and practically significant to explore if such norms have persuaded policymakers to make/declare them as formal institutions in a country. The following research question with two sub research questions can potentially address the above discussion.

RQ2A. Has UNGC human rights initiative become “generally accepted human rights norms” within the business community regionally or globally?

- *If yes, have the “generally accepted human rights norms” become formal institutions regionally or globally?*
- *If no, why UNGC human rights initiative has not become “generally accepted human rights norms” within the business community regionally or globally?*

On the other hand, as mentioned in the findings section, business elites are other stakeholders, which can also potentially make formal institutions in human rights regionally or globally like IGOs due to their large scale of resources. Similarly to what mentioned in the previous paragraph, business elites can make formal institutions in human rights in two steps. First, business elites through “chain reaction” establish generally accepted human rights norms in a business community and those norms may later become the formal institutions regionally or globally. Following research questions with two sub research questions should be able to assist the literature in empirical understanding how business elites make formal institutions in human rights regionally or globally.

RQ2B. How do business elites make formal institutions in human rights globally or regionally?

- *How do business elites make “generally accepted human rights” norms within a business community regionally or globally?*
- *How do “generally accepted human rights norms” become formal institutions regionally or globally?*

5.2.2 Methodology for addressing research questions in Research Avenue 2

Research Question RQ2A has two follow up questions. To understand if UNGC human rights initiative become “generally accepted human rights norms” within the business community regionally or globally, a particular region should be selected. It could be either a developed or emerging country or even a big industrial cluster such as Silicon Valley. Then through content analysis, the human rights practices of the firms can be examined if they follow the same/similar set of human rights norms mentioned in the UNGC guidelines. If the analysis show a positive result that majority (usually more than 50%) of the firms present in the business community follow the same/similar set of human right practices, it would then be interesting to see if such norms have become the formal institutions. It can be investigated through a qualitative multi perspective method. “Policy analysis is a multi-faceted field” (Mayer et al., 2013, p. 170) and such macro level concerns can’t be understood sufficiently from one aspect (Mason, 2006). Therefore, different perspectives should be taken on how generally accepted norms can/have become formal institutions by interviewing policymakers, business executives and UNGC officials. In contrast, if the UNGC human rights guidelines have not yet become generally accepted norms, it could be important from UNGC’s perspective to explore the reasons behind its failure to promote human rights in business. Again, due to subjective nature of the issue, qualitative interviews with both UNGC officials and business executives would help in building a rich understanding on why UNGC human rights initiative has not become “generally accepted human rights norms” within the business community regionally or globally.

Research question RQ2B is a “how” question and Yin (2003) reports qualitative case study research method suits “how” research questions as quantitative method helps to understand the effects of a certain phenomenon, not how that phenomena occurred.

Case studies, in general, can be conducted with pure quantitative data source such as survey data or pure qualitative data such as interviews, ethnographies or observations or with mixed method (Yin, 1994). Qualitative data helps to comprehend the underlying reason behind emergent relationships, while quantitative data could quantify the research issue and could generalize a finding based on statistics (Eisenhardt, 1989). However, since both qualitative and quantitative data could complement each other, mixed method can generate synergies (Eisenhardt, 1989). There are two types of case studies: single and multiple case studies (Baxter and Jack, 2008). Single case studies could depict a phenomenon in detail (Siggelkow, 2007), while multiple case studies offer strong outcome by allowing comparisons of results among several cases (Yin, 2003, Eisenhardt and Graebner, 2007). These two types of case studies could be further categorized by holistic or embedded according to units of analysis. As a whole one unit of analysis can be used for holistic case study and embedded case studies are analysed from multiple units of analysis within a case (Yin, 2003).

Since research question RQ2B examines how business elites make generally accepted human rights norms within business community and subsequently formal institutions, longitudinal data analysis will be the most suitable method. Wide acceptance of a set of norms in a business community may take several years and hence, longitudinal studies can be undertaken. Longitudinal studies are observational and correlational research type that examines the phenomenon over many years. It can “provide the opportunity to examine continuous processes in context and to draw in the significance of various interconnected levels of analysis (Pettigrew, 1990, p. 271)”. Therefore, longitudinal studies can allow for a profound comprehension of the process of human rights norm formations.

However, due to the time constraint that most scholars face today, case studies would be appropriate to replace longitudinal studies. For the first sub-research question, a small industrial cluster could be selected such as Manchester, where not many business elites are present. A single or multiple case studies could be conducted on how such business elites persuade their collaborators to follow same set of human rights practices. While interviewing executives from the business elites, it is also important to take interviews of their collaborators to understand their perspective on

the issue. For the second sub-research question of RQ2B, the method should follow same technique as stated for the first sub-research question of RQ2A.

5.3 Addressing Research Avenue 3

5.3.1 Possible Research Questions for Research Avenue 3

Scholars have previously argued that subsidiaries business practices are affected by headquarter (HQ)-subsidiary relationships since both are connected by the global value chain. Therefore, it can also be expected that subsidiaries' human rights practices may also get influenced by the same relationship. Bartlett and Ghoshal (1989) explain four different types of HQ-subsidiary relations. It would be interesting as well as relevant to explore how each type of relationship affect the human rights practices of MNE subsidiaries in a host country. It thus leads to the derivation of the first sub-research question stated below.

In addition, literature finds, expatriates are often posted by the HQ in charge of subsidiaries during the first few years of the subsidiary establishments. These expatriates also help to develop the initial organizational culture of the subsidiaries e.g., how their employees should be treated or how to align the subsidiary's culture in the five cultural dimensions suggested by Hofstede (1994). Expatriates may be the citizens of the home country or in some cases citizens of the host country, who had worked in the HQ for several years. That also implies expatriates may also try to follow the same human rights practices that are being in operation in their headquarters. Therefore, it is expected that expatriates may play an influential role in deciding the human rights norms in a subsidiary, which leads to the derivation of the second sub-research question below.

RQ3. How do HQ-subsidiary relations affect human rights practices of subsidiaries in a host country?

- How do different types of HQ-subsidiary relationships affect human rights practices of subsidiaries in a host country?
- To what extent, expatriates play a role in establishing human rights norms in a subsidiary in a host country?

5.3.2 Methodology for addressing research questions in Research Avenue 3

Research question RQ3 including both sub-research questions addresses relatively a much unexplored area; hypothesis testing (quantitative analysis) cannot be conducted. Thus, case study would be ideal to seek adequate insight to strengthen our understanding of impact of both HQ-subsiary relationship and positioning of expatriates in the subsidiaries on human rights practices of the MNE subsidiaries. However, to improve the generalisability of findings, multiple cases could be employed.

For first sub-research question, multiple cases per type of MNEs (multinational, global, transnational and international) could be investigated. Consistency and differences across cases can be explored using multiple cases. It would lead to an in-depth understanding of the issue (Eisenhardt, 1991). Within each case, multi-perspective approach could be taken such as interviewing HQ employees as well as subsidiary employees to enhance the validity of data collected.

In contrast, for the second sub-research question of RQ3, again case studies could be employed to understand the role of expatriates in establishing human rights norms in subsidiaries. However within the case studies, the data could be collected in longitudinal way. That means a new-comer MNC to a particular host country could be interviewed during the first year of their establishment in understanding their human rights practices. In the following years, the company could be interviewed again how their human rights practices have progressed so far and what role did the expatriates play.

Chapter 6. Conclusions

The objective of this thesis is to systematically review the previous literature on the link between human rights and CSR and suggest future research directions in IB domain. With the fact that literature on human rights in CSR is still in the early phase, extant literature has not really addressed this topic and therefore human rights in CSR can be considered as an under-researched area within IB. The large but disintegrated scholarly literature on human rights in CSR yields significant fragmentation. Hence, this study carries the potential of making original contributions to the literature by synthesizing the fragmented literature, observing current research themes, finding research avenues and proposing future research directions. In order to achieve the research objective, keyword-based search, manual review and citation analysis were performed to find literature to conduct systematic literature review. By doing so, this thesis suggests current research themes and three major research avenues as future research directions.

The first research theme has been observed on the study of evolution of the human rights concept and norms. The debate on the origin of human rights emerged among law scholars, but in late in 1990s and early 2000s, business literature has started showing interest in taking the discourse forward. The second research theme is still ongoing debate on exploring the linkage between human rights and CSR. Although previous literature has widely discussed the differences and similarities between human rights and CSR concepts, there is still room for further studies to address the intersection between human rights and CSR. The third research theme is discussion on the research of the human rights practices and violations of MNEs in home and host countries. The debate on the social impact of MNEs is filled with controversies including both positive and negative views. All things considered, international business scholars are focusing on exploring human rights norms (research trend 1), its affiliation to CSR (research trend 2) and on understanding how firms practice human rights in home and host countries (research trend 3).

Based on these three current research themes, the following major research avenues in the literature were witnessed. First, under different institutional setting human rights practices from MNEs might be different. To examine how institutions could

affect MNE's human rights practices in CSR is still obscure research field and need to be filled. Second, human rights norm formation in a geographic location can be top-down process as well as bottom-up process. UNGC initiatives and business elites could make generally accepted human rights norms and over the time it might become formal institutions of countries. Thus, the process of when/how stakeholders could make institutions has yet to be thoroughly investigated. Third, the impact of headquarter-subsidiary relation on human rights in CSR activities is long-awaited research question, but it is still ambiguous area which sheds light on the necessity to investigate the research field.

Last but not least, this thesis expects to make contributions to the IB literature. It considers human rights practices from top down perspectives as well as bottom up perspectives for the first time by offering future research direction. Top down process explains stakeholders are likely to follow institution, while bottom up process is the reverse way of what institutional theory suggests. This thesis proposes that institution might follow stakeholders, although the process takes a long period of time. Hence, conceptually it can contribute the institutional theory as well as stakeholders' theory; however the author calls for empirical research to reject or support the proposition.

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