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Article

Toward Ethical Commitment: Avoiding MNC Entanglement in Modern Slavery

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Multinational corporations are at risk of being connected to modern slavery because of their strategic choices related to outsourcing. The slave labor supply is affected by myriad, localized structural injustices in which weak, ineffective, or corrupt but also well-functioning governments fail to provide for either protection of their constituents against exploitation or for a decent standard of living that would alleviate the human desperation associated with modern slavery. In this article, we highlight three types of responsibility-related reactions to entanglement in modern slavery (implausible deniability, plausible deniability, and ethical commitment) that function as a differentiator between business leaders and laggards.

INTRODUCTION

Multinational corporations (MNCs) are at risk of being connected to modern slavery – a term used for an array of practices including traditional slavery, bonded labor, forced marriage, or (state-imposed) forced labor (Crane, 2013) – because of their strategic choices related to supply chain management and outsourcing. This is an uncomfortable truth, but any discussion of modern slavery and international business (IB) needs to start with it. In this article, we consider the entanglement of MNCs in modern slavery, building on work in IB that is addressing broader social and ethical concerns (Kolk, 2016; Wettstein, Giuliani, Santangelo, & Stahl, 2019). We start by considering the dynamics of supply and demand when it comes to modern slavery, and then unpack the complex nature of MNC entanglement with it. We conclude by proposing ethical commitment as essential to advancing MNC efficacy in this domain, seeking to move beyond implausible and plausible deniability for involvement in modern slavery.

MODERN SLAVERY AND THE DYNAMICS OF SUPPLY AND DEMAND

Modern slavery can be understood in the same way as other business practices, through analyses of supply and demand dynamics. It goes without saying that modern slavery occurs in less developed as well as developed countries. Although some countries might be more prone than others, any country can be the setting for the supply, transfer, or destination for modern slavery. A number of factors contribute to the localized supply of people who are slaves or at risk of becoming enslaved, including political instability, government oppression, corruption, and economic desperation of individuals seeking a better life who then find themselves being victimized. Further, poverty itself affects the number of people who, in the hopes of improving their circumstances, unwittingly are exploited through deception and force.

The demand for modern slavery is linked in large part to the practices of MNCs seeking cheaper products for their

supply chains. In this respect, modern slavery is a foreseeable, yet unintended, result of business practices that seek to economize on inputs for the production of goods and services. As businesses seek to manage their product supply chains better, they often fail to account for the *human* supply chains that make those product supply chains cheaper and more efficient (Van Buren III, Schrempf-Stirling, & Westermann-Behaylo, 2019). Kara's (2017: 1) analysis is instructive: "slavery is a global business that thrives on the callous exploitation of the labor activity of a vast and highly vulnerable subclass of people whose brutalization is tacitly accepted by every participant in the global economy, from corporations to consumers." In short, modern slavery feeds on human misery and aspiration, functioning to a greater extent in places where governments do not or cannot protect human rights. However, the demand for modern slavery is an artifact of business practices and strategies that are on their face ethically neutral but – when they intersect with pressures to cut costs as well as with environments in which human rights are not respected – leads to a vicious cycle in which supply and demand reinforce each other. As a result, MNC entanglement with modern slavery is extremely complicated.

MNC ENTANGLEMENT WITH MODERN SLAVERY

MNCs with far-flung, globalized supply chains, such as in agriculture, fashion, and consumer goods, are at particular risk of becoming entangled in modern slavery (Limoncelli, 2017; Phillips, 2016). Modern slavery is an unambiguous evil, and any business involved with it faces significant opprobrium from the general public as well as its stakeholders. There exist a variety of ways in which businesses can be entangled in modern slavery. In this respect, it is necessary to look at the *structures* in which IB occurs to understand how businesses can avoid entanglement with modern slavery.

Political philosopher Iris Marion Young (2006: 114) posited that *structural injustices* occur "when social processes put large categories of persons under a systematic threat of domination or deprivation of the means to develop and exercise their capacities, at the same time as these processes enable others to dominate or have a wide range

of opportunities for developing and exercising their capacities.” The connections among structural injustices and the supply of and demand for modern slavery are manifest. The supply of slave labor is affected by myriad, localized structural injustices in which weak, ineffective, and/or corrupt but also even well-functioning governments fail to provide for either protection of their constituents against exploitation or for a decent standard of living that would alleviate the human desperation associated with modern slavery. But businesses themselves, through their supply chain practices, also contribute to the structural injustice of modern slavery: when a business focuses so much on cost reduction that it fails to account for the human supply chain in its decision making, it is contributing to the structural injustice of modern slavery.

Here, it is reasonable to consider two issues: intent and agency. It is fair to assume that legitimate businesses do not intend to be involved in any way in modern slavery. We argue that intent does not matter with regard to what businesses should do when it comes to modern slavery: if there is the potential either for avoiding entanglement with it or for making a positive difference in alleviating it, we propose that businesses are ethically obligated to act. On this point Young (2003: 41) proposes a political responsibility on market participants such as businesses that “aims at results, and thus depends on the actions of everyone who is in a position to contribute to those results.” If a business could avoid entanglement in modern slavery through its business practices and/or could engage in actions that would work to the benefit of people who are currently enslaved or at risk of becoming enslaved, it then has an ethical obligation to take action. Analyzing modern slavery as a structural injustice moves beyond questions of assigning blame and instead focuses on the ways in which businesses can take responsibility for responding to it.

We also think it is important to address the topic of whether businesses have agency to address modern slavery by making two further points. First, businesses can choose through various supply chain relationships and management techniques whether or not they are exposed to risks associated with entanglement in modern slavery, and further have the capacity to influence, at least in part, the behavior of supply chain participants. While businesses face competitive pressures, it is essential to note, they still make choices about strategies that in turn have effects on whether they are exposed to potential entanglement in modern slavery. Second, while businesses may undertake actions designed to give them the *appearance* of distance from possible exposure to modern slavery – say outsourcing through multiple links in a supply chain – the appearance of distance does not mean that businesses (a) have actual distance from modern slavery and (b) can disclaim any responsibility if modern slavery is occurring within its product supply chain.

BEYOND IMPLAUSIBLE AND PLAUSIBLE DENIABILITY TOWARD ETHICAL COMMITMENT

In this section, we highlight three types of responsibility-related reactions to entanglement in modern slavery (implausible deniability, plausible deniability, and ethical commitment) that function as a differentiator between business leaders and laggards when it comes to addressing modern slavery.

With regard to modern slavery, *implausible deniability* is a stance taken by laggard businesses in which they un-

convincingly deny the possibility of (and corresponding responsibility for) slavery in their supply chains, or the possibility/responsibility to eliminate any such slavery found to exist. Thus, such laggards either (a) have explicit policies in place that increase the likelihood that slavery occurs in their supply chain (to the extent that denial of responsibility is implausible); and/or (b) operate in an industry where evidence of slavery is so prevalent that claiming ignorance of or denying connections to slavery in parts of their supply chain is implausible; and/or (c) claim it is not possible to effectively eliminate acknowledged slavery in their industry, despite evidence to the contrary. For example, widespread forced labor of adults and trafficked child labor has been documented in cocoa bean production for over fifteen years (De Buhr & Gordon, 2018). While major chocolate companies such as Nestlé, Mars, and Hershey state that they have taken steps to reduce child labor by 70 percent, they concede that they still have not fulfilled their 2001 pledges to eradicate all worker exploitation in the industry (Whoriskey & Siegel, 2019). Nevertheless, smaller chocolate companies such as Amsterdam confectioner Tony’s Chocolonely have shown that producing slave-free chocolate is possible. We suggest that businesses which dominate markets in slavery-prone industries, because of their greater resources and abilities to set standards and control practices within their supply chains, are less believable when they deny responsibility. Further, as awareness of slavery in supply chains, as well as the understanding of how to reduce these practices increases over time, implausible deniability is itself becoming less plausible.

Plausible deniability refers to a stance taken by businesses in which they only take responsibility for the technical requirements associated with conducting supplier due diligence, but do not take responsibility for ensuring that following these requirements actually lead to improvements in their performance. For example, though workers in the fashion and textile sectors are particularly vulnerable to exploitative labor conditions, “suppliers beyond the first tier are often not known to brands” and brand owners may not have “awareness of the ultimate source of their product” (Voss et al., 2019). Fashion brands that conduct due diligence or monitor for human rights only at first-tier suppliers may not have actual knowledge of slavery at second- or third-tier sub-contractors; hence, they may claim plausible deniability. However, for businesses with extensive supply chains, making no effort to track beyond first-tier suppliers might become increasingly implausible. We suggest that plausible deniability does not respond effectively to the structural injustice of modern slavery or to the underlying conditions that give rise to it.

Ethical commitment, in contrast, represents a stance taken by leading businesses in which they take responsibility for not only complying with the technical requirements of standards such as the United Nations Guiding Principles on Business and Human Rights, but also do so with acknowledgement of their contribution to conditions that make labor exploitation likely throughout their supply chains. Exercising ethical commitment means ensuring effective remedy for any instances of labor violations that have occurred and preventing future recurrence. Ethical commitment shifts the perspective from a focus on process and the activity of due diligence to the ultimate impact (eradicating modern slavery), and thus goes beyond minimal compliance to an external standard.

Ethical commitment strives for an integrity-oriented approach in which a business takes its commitments to abolishing modern slavery seriously. Businesses with an ethical

commitment stance take a proactive role even if it means going beyond what is legally or conventionally required. Tony's Chocolonely's mission is to make slave-free chocolate the norm, whereas fashion brands such as Eileen Fisher in New York and Sézane in Paris aim to produce clothing ethically through their entire supply chains. The end result is that ethical commitment leads businesses to take responsibility for possible entanglement with slavery even if they had every preventative mechanism in place, and in so doing better discharge their ethical responsibilities related to such structural injustices.

In sum, implausible deniability refers to a scenario in which a business denies responsibility even though this is implausible because the exploitation is known or other businesses have successfully addressed it. Plausible deniability refers to a scenario in which a business disclaims responsibility for slavery in its supply chain because it has adequate processes in place (e.g., due diligence or monitoring activity) and asserts that it simply could not do more. We refer to businesses using any of the two deniability routes as "laggards" because their attitudes toward denying responsibility for modern slavery signal little to no commitment towards improving the human tragedy in their supply chains. Ethical commitment shifts the perspective from denying responsibility to actually *taking* responsibility. Businesses following this approach can be regarded as "leaders" because they shift their focus to the actual issue and accountability for outcomes and impacts. Such businesses use standards and guidelines as just *one* way to address the issue but go beyond them where necessary to make a difference.

In practical terms, ethical commitment as a leadership-oriented stance on modern slavery requires that managers think about business models, practices, and strategies differently. Here we note several different types of possible responses consistent with ethical commitment (Van Buren III, Schrempf-Stirling, & Westermann-Behaylo, 2019). One response might be vertical integration for businesses in industries for which supply chain relationships are fraught with the possibility of entanglement with modern slavery. Businesses might ally with other businesses, either in supplier partnerships designed to help businesses in the same industry deal with the problem of modern slavery or in cross-industry partnerships designed to change the status quo about the issue. Businesses might also seek ways to make their own employees and customers aware of the signs of modern slavery they come across and provide proactive

ways to address the problem.

Modern slavery poses a challenge for IB research and practice. Because of its persistence and perniciousness, modern slavery should push us to think more about the intersection between business practice and structural injustice. It should also cause academics and managers alike to ask fundamental questions about the role of IB in remedying harms caused in part by business practices. Finally, modern slavery is an issue that affects a myriad of international businesses, and thus merits further research.

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