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# Finding Good News for Business and Human Rights After Khashoggi



By N. Craig Smith , INSEAD and Markus Scholz , FHWien

## **Companies must respond to Jamal Khashoggi's murder by standing up for human rights.**

We look in horror at the unfolding story of journalist Jamal Khashoggi – not just his gruesome murder, finally admitted to by the Saudi government, but also the shameful response by many world leaders. While some politicians, such as German foreign minister Heiko Maas, have openly condemned the situation, others are, at best, more circumspect. The British government has the situation “under review,” while President Donald Trump, the leader of the most powerful country in the world – surely the person most able to stand up for human rights – has abdicated all moral authority as he clings to any semblance of cover for the Saudis and Crown Prince Mohammed bin Salman in order to protect a U.S. trade deal.

No surprise, then, that many business leaders feel they can lie low and, if pressed, assert that business interests trump human rights. “Davos in the Desert” is a case in point. Many companies, including Mastercard, BlackRock,

Viacom, and Siemens, dropped out of the Future Investment Initiative, **but many others decided to attend** the crown prince's investment conference, including senior representatives of PepsiCo, Baker Hughes, HSBC and McKinsey.

As business ethicists, we believe it is possible to draw good news for business and human rights from the Khashoggi story. This is not because an absence of moral leadership provides cover for business complicity in human rights abuses; it is because the Khashoggi case is so blatant and so clearly demands moral courage and a principled response from leaders – in business as well as politics. Now is the time for business leaders and company boards to get on the right side of history.

Saudi Arabia is an oil-rich and immensely wealthy country with a huge need for modern technology, and therefore a good market for Western companies. It is also a country run autocratically by an elite that appreciates the best that the rest of the world can offer, often including the fruits of democracy. And it is a country in which human rights remain disregarded – a country that apparently does not shrink from murdering regime-critical journalists. Accounts of this criminality have reached millions across the world and have surely alarmed even the most ignorant and apolitical corporate boards and shareholders. For companies operating in Saudi Arabia, it seems doubtful that “business as usual” will be possible going forward. The Khashoggi case is too big, too perverted, and has been too effectively communicated.

For all its tragedy, the murder of Jamal Khashoggi provides a rare opportunity for company senior management and board members to stand up courageously and effectively for the protection of human rights in Saudi Arabia – and elsewhere.

Under normal conditions, it is challenging for businesses to give human rights the place it deserves. Board agendas are too full, board members' views too heterogeneous, corporate social responsibility and ethics functions struggle for a seat at the table, and, above all, financial interests of shareholders dominate. Board discussion of human rights is difficult enough. A company openly addressing human rights violations in an authoritarian host country is all but inconceivable. What would shareholders say if orders are cancelled? How could a CEO and board justify this at the annual general meeting?

But the situation has changed. If the Turkish account is correct, the circumstances under which Khashoggi died match Hollywood horror movies for monstrosity, even while the response of some political leaders plumbs the depths of Machiavelli's *The Prince* for cynicism. This is why businesses must not turn away: Companies that do not act will become complicit in human rights violations if they pursue business as usual. And the bigger and more influential the company, the greater the responsibility. Failure to act will be interpreted as tacit approval. As Edmund Burke wrote, "All that is necessary for the triumph of evil is that good men do nothing." If we are lacking "good men" in government, perhaps they can be found in business.

Dramatic events *can* change business practice. In 2013, **after 1,100 workers died when the Rana Plaza factory complex collapsed in Bangladesh**, Western clothing brands responded quickly and decisively. These companies had tacitly accepted the prevailing inhumane and dangerous working conditions. It took a disaster, but they agreed to coordinate with each other, NGOs, and government officials and take action that now ensures for many workers at least a minimum level of safety and an end to the worst sweatshop abuses. More radically, some retailers, such as H&M, are rethinking their business models – no longer collaborating with suppliers on a solely transactional basis but establishing a more relational foundation that allows for **direct engagement on human rights issues**. Although working conditions in Bangladesh still do not reach Western standards, they have improved because the Rana Plaza tragedy led businesses to reassess their responsibilities for labour rights in their supply chains.

Our hope is that the Khashoggi case will create a similar dynamic. **U.S. polls indicate that many feel President Trump has been too soft on Saudi Arabia**. Business leaders can thus emphasise the relevance of human rights with substantially less risk of backlash from boards or shareholders – especially at companies that cite the importance of human rights in their corporate values statements. Khashoggi's murder provides a window of opportunity for companies to develop a strategy to deal with human rights abuses in host countries going forward. Indeed, boards could initiate the discussion, arguing that the time is right for companies to better align their espoused values with conduct. Under such a directive, risk and corporate social responsibility functions could explore company-specific human rights issues and develop appropriate responses, including populating in-house risk tools with appropriate indices.

There are various ways for companies to protect and to promote human rights in Saudi Arabia and elsewhere. Companies can financially support civil society organisations that help to promote human rights. They can collaborate with NGOs, providing industry-specific know-how, as well as policy analysis, research reports, and position papers. **CEOs have spoken up against U.S. government policy in relation to human rights**; they could speak up against human rights violations in other countries as well, while staying cognizant of cultural differences and religious sensitivities. Joe Kaeser, CEO of Siemens, chose to withdraw from the Future Investment Initiative and **is delaying a \$20 billion deal with the Saudis**, signalling that the company is taking the case seriously.

As occurred after the Rana Plaza disaster, companies could forge alliances to address human rights issues, developing standards for dealing with violations. Either individually or collectively, they could even decide to not do business with certain countries on a case-by-case basis – ideally with support from both individual country governments and unified bodies such as the European Union.

The room to manoeuvre on business and human rights has significantly expanded with the exposure of Jamal Khashoggi's brutal death. If companies do not take advantage of this moment and carry on as before, perhaps hoping the issue will go away, they will not only miss this opportunity for change but also risk undermining other efforts to strengthen attention to ethics, such as reducing environmental harm or addressing corruption. Worse, corporate executives and board members who don't act will be effectively complicit in human rights violations – and may even fuel them.

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#### Addendum:

*Since the original publication of this article, the U.S. Central Intelligence Agency (CIA) has been reported as **concluding** that Saudi Arabia's Crown Prince Mohammed bin Salman ordered the murder of Jamal Khashoggi in Istanbul. President **Trump**, however, remains equivocal on the crown prince's role, saying "maybe he did, maybe he didn't." Rather than agreeing with the CIA's reported findings, he asserted instead the importance of the relationship between the U.S. and Saudi Arabia and the billions of dollars in arms sales to the Kingdom.*

*By contrast, Germany, the fifth largest exporter of weapons to Saudi Arabia after the United States, Britain, France and Spain, has already suspended issuing future weapons export licenses and has moved to halt all arms sales. The **German government** has urged all its EU partners to end arms trade with Saudi Arabia until the Khashoggi killing and Yemen conflict have been resolved. **Denmark** also suspended earlier approvals of weapon and military equipment exports to Saudi Arabia. The French government said it will decide soon on sanctions over Khashoggi's killing at the Saudi consulate in Istanbul.*

#### **Find article at**

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