# ACCOUNTABILITY AND MULTINATIONAL CORPORATIONS: MINDING THE GAP AND MECHANISMS FOR RESPONSIBLE BUSINESS

# RESPONSABILIDAD Y CORPORACIONES MULTINACIONALES: ATENCIÓN A LAS BRECHAS Y MECANISMOS PARA NEGOCIOS RESPONSABLES

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## *Abstract*

In today's global economy, Multinational Corporations (MNCs) wield substantial influence across industries, economies, and societies worldwide. This article addresses the vital issue of holding MNCs accountable for their actions. As MNCs navigate complex supply chains, diverse stakeholders, and intricate operational structures, the imperative for ethical, environmental, and social compliance becomes pronounced. The challenge lies in establishing accountability for these transnational entities, given the limitations of traditional regulatory frameworks. Various mechanisms have emerged to bridge this accountability gap, encompassing domestic and international regulations, industry-led initiatives, and civil society interventions. This article offers an inclusive overview of these mechanisms, analysing their strengths and limitations, and assessing their real-world efficacy. By examining the diverse approaches, the article contributes to discussions on fostering responsibility in an interconnected business landscape.

KEYWORDS: multinational corporations, accountability, CSR, ethics, responsible business practices.

## Resumen

En la economía global actual, las corporaciones multinacionales (CMN) ejercen una influencia sustancial en industrias, economías y sociedades de todo el mundo. Este artículo aborda la cuestión vital de responsabilizar a las empresas multinacionales por sus acciones. Lo anterior, debido a que, a medida que las multinacionales navegan por complejas cadenas de suministro y por diversas partes interesadas y estructuras operativas intrincadas; el imperativo de cumplimiento ético, ambiental y social se vuelve inminente. El desafío radica en establecer la rendición de cuentas de estas entidades transnacionales, dadas las limitaciones de los marcos regulatorios tradicionales. Han surgido varios mecanismos para cerrar esta brecha de rendición de cuentas, que abarcan regulaciones nacionales e internacionales, iniciativas lideradas por la industria e intervenciones de la sociedad civil. Este artículo ofrece una descripción general inclusiva de estos mecanismos, analiza sus fortalezas y limitaciones y evalúa su eficacia en el mundo real. Al examinar los diversos enfoques, el artículo contribuye a los debates sobre el fomento de la responsabilidad en un panorama empresarial interconectado.

Palabras clave: corporaciones multinacionales, rendición de cuentas, RSE, ética, prácticas empresariales responsables.

## Introduction

In an increasingly interconnected global economy, MNCs play a pivotal role in shaping industries, economies, and societies around the world. Their activities span across borders, encompassing intricate supply chains, diverse stakeholders, and complex operational structures. However, with their expansive reach and influence comes a pressing need for robust mechanisms that hold these corporations accountable for their actions. Ensuring that MNCs adhere to ethical, environmental, and social standards has become a paramount concern, given their potential to impact everything from labour rights and environmental sustainability to human rights and fair business practices.

The issue of accountability for MNCs raises multifaceted challenges due to the transnational nature of their operations. Traditional regulatory frameworks often struggle to keep pace with the evolving strategies and practices of these corporations. As a result, a variety of mechanisms have been established over the years to bridge the accountability gap and address concerns related to corporate behaviour. These mechanisms encompass a spectrum of approaches, ranging from domestic and international regulations to industry-driven initiatives and civil society interventions.

This article provides an overview of the existing mechanisms designed to enhance accountability for multinational corporations. By delving into the strengths, limitations, and real-world effectiveness of these mechanisms, it aims to examine the current landscape from the legal frameworks that seek to establish liability for corporate misconduct to voluntary sustainability certifications that encourage responsible practices, as each mechanism plays a distinct role in shaping the accountability paradigm. By shedding light on the successes and shortcomings of existing mechanisms, the article hopes to contribute to the ongoing discourse on creating a more responsible and accountable business landscape in an increasingly interconnected world.

The discussion commences with an overview of the existing mechanisms for enhancing accountability, such as Corporate Social Responsibility, the Global Reporting Initiative, the United Nations Global Compact and International Framework Agreements. It will then attempt an assessment of their effectiveness, along with ways to strengthen the existing mechanisms and initiatives. In the second part of the article, the analysis will focus on the role of international standards, guidelines, and legal frameworks in promoting responsible business conduct in MNCs, their implementation and overall efficiency. In the last part reference will be made to stakeholder engagement and the external audits as part of the wider process of enhancing accountability and closing the existing gaps in MNCs.

## 1. EXISTING MECHANISMS AND THEIR EFFECTIVENESS FOR ENHANCING ACCOUNTABILITY

### a. Corporate Social Responsibility

CSR has been a popular approach to enhancing accountability in MNCs. As previously mentioned, the idea behind CSR is that corporations have a responsibility to consider the interests of society and the environment, going beyond mere profit-making activities[1]. Many companies adopt CSR initiatives, such as community development projects, environmental conservation efforts, and fair labour practices, to demonstrate their commitment to social and environmental concerns[2]. While CSR has led to positive changes in some companies, critics argue that it often remains a PR tool rather than

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[1] Deborah DOANE, "Beyond Corporate Social Responsibility: Minnows, Mammoths and Markets", p. 215.
[2] Keith SLACK, "Mission Impossible?: Adopting a CSR-Based Business Model for Extractive Industries in Developing Countries", p. 179.

a genuine commitment to accountability[3]. The voluntary nature of CSR allows companies to choose which initiatives to adopt and disclose, leading to selective reporting and greenwashing[4]. Furthermore, the lack of standardised metrics makes it challenging to compare CSR efforts across companies accurately[5].

## b. Global Reporting Initiative

The GRI is a framework that provides guidelines for companies to report on their sustainability performance[6]. By using standardised reporting metrics, the GRI aims to enhance transparency and comparability of corporate sustainability efforts[7]. This initiative encourages companies to disclose their impacts on various aspects, including the environment, labour practices, human rights, and anti-corruption measures[8]. However, its voluntary nature means that companies can choose not to participate or disclose only the information that reflects positively on their performance[9]. Additionally, the reporting process can be resource-intensive and complex, especially for smaller companies[10].

## c. United Nations Global Compact

The UNGC is a voluntary initiative that calls on companies to align their strategies and operations with ten universally accepted principles[11]. These principles cover human rights, labour, environment, and anti-corruption, seeking to foster responsible corporate citizenship[12]. Companies that participate in the UNGC commit to upholding these principles and are encouraged to publicly disclose their progress[13]. However, as a voluntary initiative, it

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[3] Tomas FREDERIKSEN, "Corporate Social Responsibility, Risk and Development in the Mining Industry", p. 495.

[4] Addisu A. LASHITEW, "Corporate Uptake of the Sustainable Development Goals: Mere Greenwashing or an Advent of Institutional Change?", p. 184.

[5] Francisco SZÉKELY and Marianna KNIRSCH, "Responsible Leadership and Corporate Social Responsibility", pp. 628, 632.

[6] José M. MONEVA, Pablo ARCHEL and Carmen CORREA, "GRI and the Camouflaging of Corporate Unsustainability", pp. 121, 127.

[7] Klaus DINGWERTH and Margot EICHINGER, "Tamed Transparency: How Information Disclosure under the Global Reporting Initiative Fails to Empower", pp. 74, 90.

[8] *Op. cit.*, p. 89.

[9] Peter M. CLARKSON, Michael B. OVERELL and Larelle CHAPPLE, "Environmental Reporting and Its Relation to Corporate Environmental Performance", pp. 27, 53.

[10] *Ibid*.

[11] Andreas RASCHE and Sandra WADDOCK, "Global Sustainability Governance and the UN Global Compact: A Rejoinder to Critics", pp. 209, 211.

[12] *Ibid*.

[13] Jay J. JANNEY, Greg DESS and Victor FORLANI, "Glass Houses? Market Reactions to Firms Joining the UN Global Compact", pp. 407, 409.

lacks enforcement mechanisms, and companies may join without genuinely fulfilling the principles[14]. Moreover, critics argue that the UNGC does not hold companies accountable for violations effectively, potentially undermining its impact[15].

### d. International Framework Agreements

IFAs are agreements negotiated between MNCs and global union federations[16]. These agreements aim to promote workers' rights, fair wages, and better working conditions across the corporation's global operations[17]. IFAs offer a platform for dialogue between companies and trade unions, potentially improving labour standards and ensuring accountability through a global approach[18]. However, their effectiveness is limited by the reluctance of some companies to engage in meaningful dialogue and the varying levels of commitment from different unions and corporations[19]. Furthermore, IFAs are sector-specific and may not address broader social and environmental issues[20].

### e. Voluntary Initiatives and Certifications

Various voluntary initiatives and certifications have emerged to encourage accountability in specific industries[21]. For instance, the FSC certifies sustainable forestry practices, while the ETI focuses on fair labour practices in global supply chains[22]. These initiatives aim to promote responsible business conduct through consumer awareness and industry collaboration[23].

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[14] Daniel BERLINER and Aseem PRAKASH, "'Bluewashing' the Firm? Voluntary Regulations, Program Design, and Member Compliance with the United Nations Global Compact", pp. 115, 131.

[15] Oliver F. WILLIAMS, "The UN Global Compact: The Challenge and the Promise", pp. 755, 768.

[16] Veronika DEHNEN, "Transnational Alliances for Negotiating International Framework Agreements: Power Relations and Bargaining Processes between Global Union Federations and European Works Councils", pp. 577-578.

[17] *Op. cit.*, p. 582.

[18] André SOBCZAK, "Legal Dimensions of International Framework Agreements in the Field of Corporate Social Responsibility", pp. 466, 470.

[19] Christian LÉVESQUE and others, "Corporate Social Responsibility and Worker Rights: Institutionalizing Social Dialogue through International Framework Agreements", pp. 215, 217.

[20] Andrew L. FRIEDMAN and Samantha MILES, "Socially Responsible Investment and Corporate Social and Environmental Reporting in the UK: An Exploratory Study", pp. 523, 541.

[21] Sandra WADDOCK, "Building a New Institutional Infrastructure for Corporate Responsibility", pp. 87, 91.

[22] Michael BLOWFIELD, "Implementation Deficits of Ethical Trade Systems: Lessons from the Indonesian Cocoa and Timber Industries", pp. 77, 79.

[23] *Ibid.*

Voluntary initiatives and certifications have been successful in creating awareness and driving change in specific industries[24]. However, their impact is limited to companies that voluntarily participate, and adherence to standards may vary across different companies within an industry[25]. Additionally, the proliferation of certifications can create confusion for consumers and businesses alike[26].

## 2. Strengthening Existing Mechanisms and Initiatives

The reinforcement of existing mechanisms and initiatives plays a pivotal role in promoting responsible corporate behaviour within the global landscape. One essential approach involves the enforcement of mandatory reporting requirements for MNCs, a step that can significantly enhance transparency and comparability[27]. By compelling MNCs to divulge their social, environmental, and governance practices, this strategy ensures that stakeholders receive consistent and dependable information to make informed decisions[28].

Moreover, fostering collaboration and coordination among governments, international organizations, civil society, and the private sector holds immense significance[29]. Through heightened cooperation, a harmonised set of global standards and best practices can be formulated, effectively bridging gaps that may exist among different initiatives[30]. This cohesive approach not only streamlines efforts but also strengthens the credibility of initiatives aimed at corporate responsibility[31].

The establishment of robust international legal frameworks represents another critical avenue for addressing the complexities of cross-border accountability. Crafting treaties and conventions that specifically focus on corporate responsibility offers a robust foundation for holding MNCs accountable for their actions, transcending geographical boundaries and ensuring adherence to ethical and sustainable practices[32].

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[24] Peter Utting, "Corporate Responsibility and the Movement of Business", pp. 375, 377.

[25] Magali A. Delmas and Oran R. Young, *Governance for the Environment*, p. 65.

[26] *Ibid*. See also Maximilian Prell, Tulio Zanini, Fabio Caldieraro and Carmen Migueles, "Sustainability certifications and product preference", pp. 893, 902.

[27] Anna Lucia Muserra, Marco Papa and Francesco Grimaldi, "Sustainable Development and the European Union Policy on Non Financial Information: An Italian Empirical Analysis", pp. 22-23.

[28] *Ibid*.

[29] Axel Hadenius and Fredrik Uggla, "Making Civil Society Work, Promoting Democratic Development: What Can States and Donors Do?", pp. 1621, 1624.

[30] Eric F. Lambin and Tannis Thorlakson, "Sustainability Standards: Interactions between Private Actors, Civil Society, and Governments", pp. 369, 384.

[31] *Op. cit.*, p. 385.

[32] John Sullivan, "The Moral Compass of Companies: Business Ethics and Corporate Governance as Anti-Corruption Tools".

Equally important is the empowerment of civil society organisations and local communities, which can serve to strengthen accountability endeavours. Creating an enabling environment where these stakeholders actively engage in shaping corporate behaviour and decision-making processes contributes to a more holistic and inclusive approach to oversight[33].

In parallel, promoting the adoption of transparent supply chains emerges as an effective mechanism for advancing corporate accountability. Encouraging MNCs to embrace transparency by revealing information about subcontractors and suppliers illuminates potential risks and impacts across the entire supply chain, underscoring the interrelation of various stages of production and distribution[34].

Therefore, a multifaceted approach that encompasses mandatory reporting, collaboration, legal frameworks, empowerment of civil society and local communities, and transparent supply chains is well-positioned to reinforce existing mechanisms and initiatives.

## 3. THE WAY FORWARD: BALANCING PROFIT AND RESPONSIBILITY

Firstly, companies should make sure they do business responsibly by making sustainability and accountability part of their main strategies[35]. This will not only help them create value in the long run but also protect their reputation[36].

Next, it's important to match rewards and incentives with sustainable goals. Companies can change the way they reward employees to encourage good practices and discourage actions that aren't responsible[37]. They can measure success not only by financial results but also by considering how their actions affect people and the environment[38].

A culture of accountability is also essential, this means that everyone in the company, from the top executives to the regular workers, should feel

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[33] Ronél Rensburg and Estelle de Beer, "Stakeholder Engagement: A Crucial Element in the Governance of Corporate Reputation", pp. 151-152.

[34] Genevieve LeBaron, "The Role of Supply Chains in the Global Business of Forced Labour", p. 29.

[35] Rupert J. Baumgartner, "Managing Corporate Sustainability and CSR: A Conceptual Framework Combining Values, Strategies and Instruments Contributing to Sustainable Development", pp. 258, 260.

[36] *Op. cit.*, p. 262.

[37] Marcia P. Miceli and Janet P. Near, *Blowing the Whistle: The Organizational and Legal Implications for Companies and Employees*, pp. 87-88.

[38] Miceli and Near, *op. cit.*, pp. 87-88.

responsible for their actions[39]. Open communication, making ethical decisions, and always aiming for sustainable results are key aspects of this culture[40].

Technology can play a big role too. New technologies and data analysis tools can help companies keep a closer eye on what they're doing and report it accurately[41]. This way, they can make sure they're having a positive impact on society and the environment[42].

By bringing all of these ideas together, a way for businesses to act responsibly, align their goals with sustainability, promote a culture of responsibility, and use technology to keep track of their actions is created.

Therefore, while mechanisms, such as CSR, GRI, UNGC, IFAs, and voluntary certifications make strides in responsible practices, they wrestle with selectivity and complexity. To advance responsible conduct, mandatory reporting ensures transparency, cross-sector collaboration harmonises standards, international legal frameworks ensure accountability, civil society empowerment widens oversight, and transparent supply chains shed light on operations. Aligning profit with responsibility involves integrating sustainability into core strategies, incentivising sustainable practices, fostering a culture of accountability, and harnessing technology for accurate monitoring. In this way, MNCs can navigate a path that harmonises profit and responsibility for a more ethical and sustainable future.

## II. The Role of International Standards, Guidelines and Legal Frameworks in Promoting Responsible Business Conduct in MNCs

MNCs face heightened scrutiny due to concerns about their social, environmental, and ethical responsibilities[43]. To address these challenges, international standards, guidelines, and legal frameworks have emerged as essential tools in promoting responsible business conduct within MNCs. This section of the chapter examines the role of such mechanisms, assessing

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[39] Mark S. Schwartz, "Developing and Sustaining an Ethical Corporate Culture: The Core Elements", pp. 39-40.

[40] *Op. cit.*, p. 45.

[41] Thomas H. Davenport and Jeanne G. Harris, *Competing on Analytics: The New Science of Winning*, p. 134.

[42] *Ibid*.

[43] Turhan Kaymak and Eralp Bektas, "Corporate Social Responsibility and Governance: Information Disclosure in Multinational Corporations", pp. 555, 557.

their effectiveness, limitations, and potential for improvement in shaping responsible corporate behaviour.

## 1. Responsible Business Conduct and Its Importance

Responsible business conduct refers to the ethical, transparent, and sustainable practices adopted by companies to minimize negative impacts on society and the environment[44]. For MNCs, responsible conduct is crucial as they often operate in diverse cultural, legal, and regulatory landscapes[45]. Embracing responsible practices can enhance their reputation, mitigate risks, and contribute to long-term profitability. Moreover, it aligns with growing demands from consumers, investors, and civil society for ethical and sustainable business practices[46].

## 2. International Standards and Guidelines for Responsible Business Conduct and Their Effectiveness

The establishment of international standards for responsible business conduct serves as a basis in fostering ethical and sustainable corporate practices[47]. These standards encompass a range of crucial guidelines and principles designed to uphold human rights, promote responsible labour practices, safeguard the environment, and combat corruption[48].

One such framework is the UNGPs, which define both governmental obligations to protect human rights and corporate mandates to respect them[49]. This encompasses aspects such as human rights due diligence, mechanisms for addressing grievances, and the imperative of meaningful engagement with stakeholders[50].

Further contributing to this global approach is the OECD Guidelines for Multinational Enterprises. While non-binding, these guidelines present recommendations spanning human rights, labour, the environment, and

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[44] Marcel van Marrewijk, "Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion", pp. 95, 99.

[45] Yadong Luo, "From Foreign Investors to Strategic Insiders: Shifting Parameters, Prescriptions and Paradigms for MNCs in China", pp. 14, 19.

[46] *Ibid*.

[47] Thomas Hanke and Wolfgang Stark, "Strategy Development: Conceptual Framework on Corporate Social Responsibility", pp. 507-508.

[48] *Ibid*.

[49] Michael K. Addo, "The Reality of the United Nations Guiding Principles on Business and Human Rights", pp. 133, 136.

[50] *Ibid*.

anti-corruption efforts[51]. By adhering to these guidelines, countries signal an encouragement for their respective companies to mirror responsible conduct[52].

Central to these rules and principles are the ILO Core Conventions, which highlight fundamental labour rights[53]. Embracing principles such as freedom of association, collective bargaining, and the elimination of forced and child labour, these conventions signify a commitment to socially responsible labour practices[54].

Complementing this comprehensive framework is ISO 26000, which offers voluntary guidance on social responsibility[55]. This guidance extends to MNCs, covering essential subjects like human rights, labour practices, environmental stewardship, and consumer considerations[56].

Lastly, while not tailored exclusively to MNCs, the United Nations SDGs offer a universal blueprint for sustainable development[57]. Encouraging alignment with these global objectives, MNCs are prompted to incorporate SDGs into their strategies, thereby contributing to a shared commitment to a more ethical, equitable, and sustainable world[58].

Furthermore, the adoption and implementation of international standards and guidelines by MNCs have shown mixed results. Some companies have embraced these principles and integrated them into their operations, leading to positive changes in their behaviour. However, others have been criticised for adopting a "tick-the-box" approach, implementing superficial changes to comply with standards without genuine commitment. Additionally, monitoring and reporting mechanisms vary, leading to inconsistencies in assessing compliance. The role of civil society and NGOs in holding companies accountable cannot be understated, but resource constraints and limited enforcement powers present challenges[59].

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[51] Eva van der Zee, "Incorporating the OECD Guidelines in International Investment Agreements: Turning a Soft Law Obligation into Hard Law?", pp. 33, 56.

[52] *Ibid*.

[53] Leonardo Baccini and Mathias Koenig-Archibugi, "Why Do States Commit to International Labour Standards? Interdependent Ratification of Core ILO Conventions, 1948-2009", pp. 446, 484.

[54] *Ibid*.

[55] Lars Moratis and Timo Cochius, *ISO 26000: The Business Guide to the New Standard on Social Responsibility*, p. 53.

[56] *Ibid*.

[57] Franziska Günzel-Jensen and others, "Do the United Nations' Sustainable Development Goals Matter for Social Entrepreneurial Ventures? A Bottom-up Perspective", pp. 162, 165.

[58] *Op. cit.*, p. 168.

[59] Colin Scott, "Private Regulation of the Public Sector: A Neglected Facet of Contemporary Governance", pp. 56, 75.

### 3. *Legal Frameworks:*
### *Strengthening Responsible Business Conduct*
### *and Their Impact on MNCs*

While international standards and voluntary guidelines provide a foundation for responsible business conduct, legal frameworks play a crucial role in elevating their implementation. These frameworks encompass a diverse collection of laws and regulations, extending from extraterritorial jurisdiction to human rights due diligence laws, environmental regulations, tax transparency measures, and access to effective remedy mechanisms. Unlike voluntary standards, legal frameworks possess the power to enforce responsible practices, acting as a deterrent for MNCs to prevent legal consequences[60]. The potential impact of legal frameworks is substantial; they have the ability to reshape MNCs' behaviours and strategies[61].

Legal requirements can exert a profound influence on the choices made by MNCs. The prospect of facing legal actions or enduring reputational harm can serve as a powerful incentive for companies to prioritize responsible practices[62]. These requirements can initiate transformative shifts in corporate strategies, prompting investments in sustainable technologies and enhancing supply chain practices[63]. Furthermore, legal frameworks can contribute to nurturing a corporate culture that places ethics, compliance, and stakeholder engagement at the forefront[64].

While legal frameworks hold considerable promise, their effectiveness hinges on several factors. Robust enforcement mechanisms, cooperation between jurisdictions, and addressing challenges related to corporate capture and regulatory arbitrage are essential[65]. Despite the potential benefits, enforcing legal frameworks across international borders remains a complex task, owing to variations in legal systems and the intricacies of jurisdiction[66]. Nevertheless, the integration of legal frameworks with international standards offers a strong mechanism for fostering responsible business

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[60] John Gerard Ruggie, "Multinationals as Global Institution: Power, Authority and Relative Autonomy", pp. 317, 322.

[61] *Ibid.*

[62] Kevin T. Jackson, *Building Reputational Capital: Strategies for Integrity and Fair Play That Improve the Bottom Line*, p. 112.

[63] Sara Saberi and others, "Blockchain Technology and Its Relationships to Sustainable Supply Chain Management", pp. 2117, 2124.

[64] Bryan Husted and David Bruce Allen, *Corporate Social Strategy: Stakeholder Engagement and Competitive Advantage*, p. 143.

[65] Victor Fleischer, "Regulatory Arbitrage", p. 227.

[66] Janet Dine, "Jurisdictional Arbitrage by Multinational Companies: A National Law Solution?", pp. 44, 48.

conduct, ultimately steering MNCs toward sustainable and ethically sound practices on a global scale[67].

## 4. Successes and Failures of the Application of International Standards and Legal Frameworks

Examining actual cases provides valuable insights into the practical successes and failures encountered when implementing international standards and legal frameworks to foster responsible business conduct.

In the realm of success, the impact of the UNGPs within the Ruggie Framework stands out[68]. The framework was developed by John Ruggie, a former UN Special Representative for Business and Human Rights, and consists of principles that have steered changes in corporate behaviour, prompting some companies to undertake comprehensive human rights due diligence and engage stakeholders proficiently to mitigate risks[69].

Conversely, challenges persist, exemplified by the task of addressing child labour within global supply chains. Despite determined efforts, the intricate nature of these supply chains and limited enforcement capabilities have posed obstacles to the eradication of child labour, emphasizing the complexities essential in implementing international standards[70].

These case studies emphasise the multifaceted nature of applying international standards and legal frameworks. While some successes demonstrate the positive impact of such initiatives, failures highlight the ongoing efforts required to ensure responsible business conduct in an ever-changing global arena.

## 5. Recommendations for Enhancing Responsible Business Conduct in MNCs

To enhance responsible business conduct in MNCs several recommendations can be put forth. Firstly, governments and international organisations should actively promote the wider adoption of international standards and

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[67] Christian Voegtlin and Andreas Georg Scherer, "Responsible Innovation and the Innovation of Responsibility: Governing Sustainable Development in a Globalized World", pp. 227, 232.

[68] Astrid Sanders, "The Impact of the 'Ruggie Framework' and the United Nations Guiding Principles on Business and Human Rights on Transnational Human Rights Litigation", p. 299.

[69] *Ibid.*

[70] Esben Rahbek Pedersen and Mette Andersen, "Safeguarding Corporate Social Responsibility (CSR) in Global Supply Chains: How Codes of Conduct Are Managed in Buyer-Supplier Relationships", pp. 228, 239.

guidelines among MNCs[71]. This can be achieved through offering incentives, facilitating capacity building, and extending support to companies[72]. Additionally, governments should collaborate on crafting robust legal frameworks that encompass extraterritorial jurisdiction, enabling the accountability of MNCs for their actions beyond their home jurisdictions[73]. To further reinforce responsible conduct, the establishment of standardised and credible monitoring, reporting, and enforcement mechanisms is essential, ensuring that MNCs adhere to responsible practices[74]. Moreover, the promotion of cross-sector collaboration and multistakeholder partnerships involving governments, businesses, civil society, and international organisations can strengthen joint efforts in advancing responsible business conduct[75]. Lastly, fostering awareness and education among stakeholders, including consumers, investors, and employees, is pivotal in advocating for and making informed decisions aligned with responsible practices[76].

Therefore, international standards, guidelines, and legal frameworks play a crucial role in shaping responsible business conduct in MNCs. These tools address ethical, environmental, and social concerns, though their impact varies. While standards offer a comprehensive framework, legal frameworks enforce accountability.

## III. *The Effectiveness of External Audits and Stakeholder Engagement in Enhancing Accountability*

External audits and stakeholder engagement have emerged as potential mechanisms to bridge the accountability gaps in MNCs. This section of the chapter examines the effectiveness of these approaches in promoting responsible business practices and closing the accountability divide.

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[71] Lucio Baccaro and Valentina Mele, "For Lack of Anything Better? International Organizations and Global Corporate Codes", pp. 451, 455.

[72] *Ibid.*

[73] John Gerard Ruggie, *Just Business: Multinational Corporations and Human Rights*, pp. 9-13.

[74] Bindu Arya and Balbir Bassi, "Corporate Social Responsibility and Broad-Based Black Economic Empowerment Legislation in South Africa", pp. 674, 676.

[75] Stephan Manning and Daniel Roessler, "The Formation of Cross-Sector Development Partnerships: How Bridging Agents Shape Project Agendas and Longer-Term Alliances", pp. 527, 537.

[76] Pamela Sloan, "Redefining Stakeholder Engagement: From Control to Collaboration", pp. 25, 31.

## 1. The Role of External Audits
### in MNCs

External audits constitute a pivotal mechanism for evaluating and enhancing corporate accountability within MNCs[77]. These audits, conducted by independent third parties, play a crucial role in assessing the extent to which companies adhere to specific standards or commitments, providing an objective and impartial evaluation of their engagement with voluntary initiatives or industry-specific requirements[78].

However, the realm of external audits has its challenges. One significant obstacle lies in accessing comprehensive data from complex global supply chains, which can pose difficulties in capturing the full scope of a company's operations and potential areas of non-compliance[79]. Moreover, the absence of standardised criteria across various sectors and industries can obstruct the comparability and consistency of audit outcomes[80]. Auditors also struggle with the complex task of navigating diverse legal frameworks across different countries, impacting their ability to effectively enforce accountability measures[81].

In the pursuit of enhancing accountability in MNCs, it is imperative to focus on refining external auditing practices. A key recommendation involves the standardisation of auditing criteria and methodologies, a step that can produce uniformity and reliability in assessment processes[82]. By establishing consistent benchmarks for evaluation, companies and auditors alike can ensure that the same standard is applied across different contexts, facilitating more accurate and equitable assessments[83].

Collaborative efforts emerge as an effective strategy for enhancing the impact of external audits[84]. Through meaningful engagement and coopera-

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[77] Yadong Luo, "Corporate Governance and Accountability in Multinational Enterprises: Concepts and Agenda", p. 1.

[78] *Ibid*.

[79] Marcel Matthess and others, "Supplier Sustainability Assessment in the Age of Industry 4.0 - Insights from the Electronics Industry", pp. 100038, 100049.

[80] Friederike Albersmeier and others, "The Reliability of Third-Party Certification in the Food Chain: From Checklists to Risk-Oriented Auditing", pp. 927, 931.

[81] Sandra A. Waddock, Charles Bodwell and Samuel B. Graves, "Responsibility: The New Business Imperative", pp. 132, 137.

[82] Olivier Boiral, Iñaki Heras-Saizarbitoria and Marie-Christine Brotherton, "Assessing and Improving the Quality of Sustainability Reports: The Auditors' Perspective", pp. 703, 710.

[83] *Op. cit.*, p. 711.

[84] Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees, "Report and Recommendations of the Blue-Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees", pp. 1067, 1069.

tion between auditors, companies, and relevant stakeholders, the effectiveness of auditing practices can be magnified[85]. This collaborative approach can enhance the comprehensiveness of audits, encompassing a broader spectrum of perspectives and insights that contribute to a more robust evaluation of corporate accountability[86].

In essence, external audits stand as a basis of accountability enhancement in the realm of MNCs. While challenges persist, strategic initiatives such as standardisation and collaboration hold the potential to strengthen the effectiveness and credibility of external auditing practices, ultimately fostering an environment of heightened transparency, responsibility, and ethical conduct within the global business landscape.

## 2. FOSTERING ACCOUNTABILITY THROUGH STAKEHOLDER ENGAGEMENT IN MNCS

Stakeholder engagement stands as a fundamental mechanism for ensuring accountability within MNCs[87]. This multifaceted approach highlights the value of involving a diverse group of stakeholders, ranging from local communities and workers to NGOs and consumers. By embracing this inclusive engagement, MNCs can effectively comprehend and holistically address a spectrum of concerns and impacts that originate from their operations[88].

The significance of stakeholder engagement is featured by its potential to foster a transparent and responsive relationship between MNCs and their various stakeholders[89]. Through active and ongoing communication, MNCs can gain insights into the expectations, needs, and preferences of their stakeholders[90]. Stakeholder mapping and communication facilitate the identification of key actors, allowing companies to tailor their engagement strategies accordingly[91]. This, in turn, paves the way for meaningful dia-

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[85] W Robert KNECHEL and Ann VANSTRAELEN, "The Relationship between Auditor Tenure and Audit Quality Implied by Going Concern Opinions", pp. 113, 122.

[86] *Ibid.*

[87] Anabella DAVILA, Carlos RODRÍGUEZ-LLUESMA and Marta M ELVIRA, "Engaging Stakeholders in Emerging Economies: The Case of Multilatinas", pp. 949, 956.

[88] *Op. cit.*, p. 950.

[89] Thomas MAAK, "Responsible Leadership, Stakeholder Engagement, and the Emergence of Social Capital", pp. 329, 340.

[90] John CHILD and Terence TSAI, "The Dynamic between Firms' Environmental Strategies and Institutional Constraints in Emerging Economies: Evidence from China and Taiwan", pp. 95, 102.

[91] Kristina SEDEREVICIUTE and Chiara VALENTINI, "Towards a More Holistic Stakeholder Analysis Approach. Mapping Known and Undiscovered Stakeholders from Social Media", pp. 221, 229.

logue, enabling companies to address grievances, mitigate risks, and capitalise on opportunities[92].

However, while the advantages of stakeholder engagement are substantial, it is not without its challenges. Meaningful engagement requires a significant commitment of time, resources, and effort[93]. Sustaining a genuine and open dialogue demands a willingness to listen, comprehend, and respond to stakeholders' inputs, thereby building a foundation of trust and collaboration[94]. The complexity lies in balancing a diverse array of stakeholder interests, which can occasionally conflict with the pursuit of short-term financial gains[95].

To enforce accountability within MNCs, a set of recommendations comes to the forefront, primarily centered on elevating the practice of stakeholder engagement. It is essential for companies to move beyond brief engagements and instead embrace a comprehensive and collaborative approach to dialogue with stakeholders[96]. The integration of stakeholders' perspectives and concerns into decision-making processes serves as a powerful driver for ethical, sustainable, and accountable practices[97]. Furthermore, building internal capacity within companies to effectively engage with stakeholders is paramount. This entails developing the necessary skills, structures, and processes to facilitate meaningful interactions, thereby nurturing a culture of responsiveness, transparency, and ethical conduct[98].

Fundamentally, stakeholder engagement stands as a foundation of accountability, offering a proactive opportunity for MNCs to align their actions with societal and environmental expectations[99]. By engaging stakeholders in a meaningful and collaborative manner, MNCs can transcend challenges, enhance their credibility, and contribute to a global business landscape characterised by responsible and ethical practices[100].

Therefore, the effectiveness of external audits and stakeholder engagement in enhancing accountability within MNCs is evident. External

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[92] Sedereviciute and Valentini, *op. cit.*, pp. 221, 229.

[93] James E Post, Lee E. Preston and Sybille Sachs, *Redefining the Corporation: Stakeholder Management and Organizational Wealth*, pp. 77-78.

[94] Jörg Andriof and others, *Unfolding Stakeholder Thinking. 2, Relationships, Communication, Reporting and Performance*, p. 96.

[95] *Ibid*.

[96] Jörg Andriof, R. Edward Freeman, Bryan Husted and Sandra Sutherland Rahman, *Unfolding Stakeholder Thinking. Theory, Responsibility and Engagement*, pp. 34-37.

[97] *Ibid*.

[98] Mollie Painter-Morland, "Systemic Leadership and the Emergence of Ethical Responsiveness", pp. 509, 520.

[99] Simon S. Gao and Jane J. Zhang, "Stakeholder Engagement, Social Auditing and Corporate Sustainability", pp. 722, 730.

[100] *Ibid*.

audits provide an impartial evaluation of adherence to standards, with standardisation and collaboration improving their impact. Stakeholder engagement facilitates transparent communication and insights, although challenges exist. By refining these mechanisms and embracing comprehensive engagement, MNCs can cultivate responsible, ethical, and transparent practices, contributing to a more accountable global business landscape.

## Conclusion

This article examined corporate accountability in the modern business world with emphasis on MNCs. Unveiling accountability gaps of MNCs is crucial for addressing the negative consequences that arise from their actions. By identifying the specific gaps, understanding the contributing factors behind them, governments and policymakers can work towards closing these gaps and promoting greater corporate responsibility. Recognising the root causes and drivers of accountability gaps, as well as examining the effect of these gaps should be the starting point. Then, identifying common patterns and trends across industries and regions provides valuable insights and assists in developing effective strategies and regulatory frameworks for ensuring that MNCs operate in a responsible and ethical manner. Through rigorous efforts at both national and international level a global business environment characterised by integrity, sustainability, and accountability will emerge as an imperative for a prosperous and harmonious future, benefitting both the global economy and society as a whole.

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## Acronyms and abbreviations

| | |
|---|---|
| CMN | corporaciones multinacionales |
| CSR | Corporate Social Responsibility |
| eds. | editors |
| ETI | Ethical Trading Initiative |
| FSC | Forest Stewardship Council |
| GRI | Global Reporting Initiative |
| http | Hypertext Transfer Protocol |
| *Ibid.* | *Ibidem* |
| IFAs | International Framework Agreements |
| ILO | International Labour Organization |
| ISO | International Organization for Standardization |
| LLM | Legum Magister |
| MNCs | multinational corporations |
| NGOs | non-governmental organisations |
| No. | number |
| OECD | Organisation for Economic Co-operation and Development |
| *Op. cit.* | *Opus citatis* |
| p. | página |
| PhD | Philosophie Doctor |
| pp. | páginas |
| RSE | Responsabilidad social empresarial |
| SDGs | Sustainable Development Goals |

| UK | United Kingdom |
|---|---|
| UN | United Nations |
| UNGC | United Nations Global Compact |
| UNGPs | United Nations Guiding Principles on Business and Human Rights |
| vol. | volumen |