BEYOND PROFITS

A Moral Imperative for Businesses in Safeguarding Human Rights

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EDITORIAL

Today's world is shaped by sweeping globalization, rapid technological change, and deepening social ties across borders. As a result, the role of business has grown well beyond generating profits. No longer is success defined solely by financial performance or shareholder returns, but how these corporations are positioning themselves for positive impact in society? Yet, an even more pressing question now stands before us: how can businesses help uphold human dignity and protect the basic rights of individuals around the world?

This book, *Beyond Profits: A Moral Imperative for Businesses in Safeguarding Human Rights*, arrives at a crucial moment. In an age where corporate actions influence nearly every corner of society, from global supply chains to the digital public square, their responsibility is no longer limited to maximizing returns. The expectation now is clearer than ever: businesses must take an active role in upholding justice, fairness, and human dignity.

A 2015 McKinsey projected 7,000 new transnational corporations emerging by 2025, mostly from the Global South, with 70% reinvesting locally. To look at the brighter side, current trade and investment data confirm that India, Brazil, and parts of Africa are becoming regional powerhouses, with homegrown companies expanding globally and the South is becoming a source of innovation and ethical leadership. Businesses born in contexts of scarcity and inequality are more likely to embed social impact into their DNA, not as a trend but as a necessity. For some of these companies, social impact and responsibility define a sort of conscious capitalism where profit and purpose coexist. These companies often outperform their peers in resilience, innovation, and stakeholder trust. And many shareholders are very interested in that triple bottom line. Compound this outlook with the rise in social business and entrepreneurship: as of last year, there were an estimated 10 million social enterprises globally, generating around a trillion in revenue annually and creating nearly 200 million jobs. Corporations are moving beyond profit, with outstanding results done at scale. This is not a fad or trend, but rather an irreversible global momentum, and conversations around this topic are needed more than ever before.

The essays featured here bring together a wide range of voices—academics, industry professionals, human rights advocates, and community leaders—all engaging with a central challenge: how can business become a meaningful force in protecting human rights and religious freedom? Whether addressing leadership ethics, legal frameworks, consumer pressure, or the impact of belief systems on corporate values, each contribution adds a valuable piece to this larger conversation.

Some chapters confront hard truths, exploring how the pursuit of profit has, at times, come at the expense of workers and communities. Others spotlight encouraging progress—stories of companies that have woven human rights into their business models and proven that doing good and doing well can go hand in hand. Profit can be made with purpose and reinvested with purpose.

In a time when public faith in large institutions is wearing thin, businesses have a rare chance to rebuild that trust—not through slogans, but through individual and corporate action. Those who choose to prioritize the human rights aren't just answering a moral call; they are also positioning themselves for long-term strength in a complex, competitive world.

This volume does not merely offer critique. It presents an invitation—to rethink how business can serve people, not just profit. It asks leaders, workers, and consumers alike to raise their expectations and to see business as a platform for positive change in society.

To our readers, we hope this book offers meaningful insights and inspiration—to question, to act, and to help shape an economy where ethics and enterprise move forward together for a better and safer world.

Dr. Alex Balint, Dr. Lucile Sabas, Dr. Nelu Burcea

Editors of *Beyond Profits: A Moral Imperative for Businesses in Safeguarding Human Rights*

AFRICAN CONTINENTAL FREE TRADE AREA OR AFRICAN CONTINENTAL FAIR TRADE AREA? THAT IS THE QUESTION

Amal Nagah Elbeshbishi, PhD

The African Union (AU) is leading the implementation of Africa's most ambitious and commendable initiative: the African Continental Free Trade Area (AfCFTA) . The AfCFTA has the potential to generate a multitude of benefits by fostering trade creation and driving structural transformation. The realization of these benefits will require effective implementation of the agreement, along with complementary policies, to ensure that the expected benefits will be shared equitably, both across and within African countries. The threat of imbalanced outcomes from the AfCFTA extends beyond disparities between countries to include inequities among social groups within each country. Slow progress in addressing poverty, combined with the existing patterns of economic growth on the continent have created a vicious cycle where inequality and sluggish economic growth reinforce each other. In this context, what would truly benefit the continent is the establishment of an African Continental Fair Trade Area, since fair trade focuses on enhancing the satisfaction of all stakeholders (i.e., producers, employees, consumers, environmental interest groups, and others) . It emphasizes cooperation rather than competition throughout all stages of the value chain, from production to the sale of final products. The purpose of this study is to illustrate the interwoven relationship between fair trade and free trade. The second section discusses the concepts of fair trade versus free trade. Section three examines the benefits of fair trade. Section four addresses fair trade as a countermeasure to unfair global trading practices and proposes the establishment of an African Continental Fair Trade Area to protect producers, traders, and consumers from inequitable trading relations, thereby promoting fair trade across Africa. Gender issues, as they relate to fair trade, are discussed in section five. Section six provides policy recommendations on gender issues to facilitate the movement towards a more inclusive and equitable AfCFTA.

Keywords: African Continental Fair Trade Area, Fair Trade, Fair Prices, Gender, Sustainable Development

> "Every business transaction is a challenge to see that both parties come out fairly"
> - Adam Smith, 1759.

> "Proper economic prices should be fixed not at the lowest possible level, but at the level sufficient to provide producers with proper nutritional and other standards in the conditions in which they live... It is in the interests of all producers that the price of a commodity should not be depressed beyond this level, and consumers are not entitled to expect that it should"
> - John Maynard Keynes, 1946.

1. Introduction

Trade is widely regarded as a catalyst for economic growth and sustainable development. It has been one of the key transformational forces of our time, often associated with creating significant opportunities for poverty reduction (WTO, 2018). Fair Trade is a global movement that focuses on promoting better trading conditions and protecting the rights of marginalized producers and workers, particularly in developing countries. It seeks to address the power imbalances in global trade by advocating for fair prices, fair wages, safe working conditions, and environmentally sustainable practices. In this sense, Fair Trade is considered as a tool to support development efforts. The Fair-Trade movement is part of the "new globalization", reshaping patterns of international trade and counteracting corporate expansion processes that have historically undermined global ecological and social conditions (Murray and Raynolds, 2007).

Fair Trade is a change agent that promotes a new way of being, thriving by involving people throughout the entire system in deciding on and making this change. It is a global movement comprising a diverse network of producers, companies, shoppers, advocates, and organizations that prioritize people and the planet (LeMare, 2008). Its expansion often improves women's formal employment opportunities by increasing labor intensive exports from developing countries. Fair Trade empowers individuals to make choices that benefit themselves and their communities, regardless of gender, status, societal position, or geographic location. It offers a promising alternative for producers and consumers to challenge conventional market mechanisms (Gallant International, 2024).

The Fair-Trade symbol displayed on the packaging certifies that the production and marketing processes adhere to fair trade standards. This label complements other labeling requirements, such as quality classification and origin, which are governed by standard statutory rules. By purchasing products with a Fair-Trade label, customers can help improve the living and working conditions of producers in developing countries (Fairtrade International, 2024).

2. Concepts of Fair Trade versus Free Trade

This section delves into the definitions of fair trade and free trade, aiming to underscore their interconnected nature. Fair trade focuses on addressing social and environmental concerns and promoting equitable trade practices. On the other hand, free trade emphasizes economic efficiency, market access, and trade liberalization. It is important to note that these concepts are not mutually exclusive; rather, they complement each other. There exist opportunities to integrate fair trade principles within free trade frameworks to promote sustainability and inclusivity in international trade.

2.1. Concepts of Fair Trade

The most widely accepted definition of fair trade was established in 1998 by FINE, an acronym representing the four key umbrella organizations it encompasses: Fairtrade Labelling Organizations (FLO), the International Federation for Alternative Trade (IFAT), the Network of European World Shops (NEWS!), and the European Fair Trade Association (EFTA). FINE's fair-trade definition is as follows: "Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to and securing the rights of marginalized producers and workers, especially in the South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade" (McArdle & Thomas, 2012; Eunmi & Zhao, 2024).

Based on its definition, Fair Trade has three strategic intents to:

1. Actively play a wider role in the global arena to foster greater equity in international trade.
2. Empower producers and workers by involving them as stakeholders in their respective organizations.
3. Collaborate with marginalized producers and workers to facilitate their transition from vulnerable positions to stability and economic self-reliance.

Fair Trade is the most important and fastest-growing market-based mechanism to improve the lives of producers in developing countries. It achieves this by offering small-scale producers in the global south fairer trade relations, including a guaranteed minimum price above world price and developmental support. This makes it a tangible model for combating global poverty. Through its emphasis on sustainable business practices, education, fair pricing, and robust measures against child labor, the fair-trade movement is significantly transforming the lives of primary producers. As millions of hardworking farmers worldwide engage in fair trade, they will make a huge positive impact on the economic development of their respective countries (Nelson & Pound, 2009; Ruben et al., 2009). By securing better prices for their produce, numerous small farmers in Africa and other regions have been able to improve their living standards through their own efforts, avoiding the need for charity and maintaining their dignity (Barratt Brown, 2007).

"Fairly traded" products are those purchased under equitable trading agreements, prioritizing co-operative over competitive trading principles, ensuring fair prices and decent working conditions for producers and suppliers. Products bearing the fair-trade certified seal signify adherence to stringent social, environmental, and economic standards. Unfortunately, not all trade is fair-farmers and workers at the beginning of the chain do not always get a fair share of the benefits of trade (Elbeshbishi & Al-A'ali, 2020).

Fair Trade aims to address power imbalance by introducing a "new model of the producer-consumer relationship that connects production and consumption via an innovative supply chain model which distributes its economic benefits more fairly between all stakeholders" (Nicholls, 2005; Nicholls & Opal, 2005; Nicholls & Huybrechts, 2016; Raynolds et al., 2007). The core objective of fair trade is to ensure that producers receive a price which reflects an adequate return on their input of skill, labor and resources, along with a fair share of the total profit commensurate with their contributions (Fridell, 2003). Fair Trade aims to level the playing field in international trade by ensuring that producers receive fair prices that not only meet their basic living standards but also support their future development. By doing so, trade becomes a developmental tool that promotes balanced international relations, giving disadvantaged producers more control over their futures and a greater return on their work (Moore, 2004).

Fair Trade labels are awarded to goods imported from developing countries which have been produced according to social and environmental criteria based on international instruments such as the International Labor Organization (ILO) Conventions and the United Nations' Agenda 21 recommendations. These criteria include factors such as employment conditions, measures to prevent pesticide contamination of rivers and drinking water, and the protection of natural ecosystems. International organizations, such as the Fair-Trade Labelling Organization (FLO), establish these criteria for each product and are responsible for monitoring and controlling producers and traders who apply to use fair trade labels, ensuring strict adherence to these standards (Commission of the European Communities, 1999).

2.2. Concepts of Free Trade

Free trade primarily focuses on the reduction or elimination of barriers to trade between countries, with an emphasis on economic efficiency and increased market access. Its main objectives are to promote economic growth, enhance competition, and leverage comparative advantages by facilitating the cross-border flow of goods, services, and investments. Free trade is guided by principles such as the removal of tariffs, quotas, and other trade barriers, as well as the protection of intellectual property rights and the promotion of non-discrimination and equal treatment. The features contributing to the growth of fair trade and free trade form an integrated, self-perpetuating model.

2.3. How does Fair Trade differ from Free Trade?

Many people are familiar with the term "free trade," which has significantly influenced trade policies over the past few decades. While free trade policies need reform, fair trade adds a complementary business model to such reform. It is important to note that free trade is not synonymous with fair trade. The main goal of free trade is to enhance economic growth by implementing policies that facilitate the exchange of goods and services between countries. In contrast, fair trade aims to empower marginalized individuals and improve their quality of life, focusing on equitable commerce among individuals and businesses (Bliss, 2007).

Fair trade is not a general theory of trade, it is a pragmatic response to unsatisfactory outcomes of the market by changing the nature of trading relationships. The fact that there is no theory of fair trade indicates its essential pragmatism. Fair trade emphasizes the need for changes in the rules and practices of conventional trade and shows how a successful business can put people first. It aims to achieve greater equity in international trade. Indeed, purchasing products from producers in developing countries at fair prices is a more effective means of promoting sustainable development than relying on aid.

Fair trade is an alternative approach to conventional, fostering a partnership between producers and consumers. When farmers can sell on fair trade terms, it provides them with a better deal and improved terms of trade. This allows them the opportunity to improve their lives and plan for their future. Fair trade provides consumers with a powerful way to reduce poverty through their everyday shopping choices.

Fair trade aims to level the playing field in international trade, ensuring that producers receive a price which allows them not only to reach a basic standard of living, but also develop their prospects for the future. This approach transforms trade into a developmental tool, contributing to international relations by giving disadvantaged producers more control over their futures and a greater return on their work. It fosters a business relationship in which producers are the primary stakeholders.

When a product carries the FAIRTRADE Mark, it signifies that both producers and traders have adhered to fair trade standards. These standards are designed to address the power imbalances in trading relationships, mitigate the volatility of markets, and rectify the injustices prevalent in conventional trade (Riedel et al., 2005; Booth & Whetstone, 2007).

In contrast to free trade, which primarily favors multinational corporations and powerful business interests, fair trade channels its benefits towards vulnerable farmers, artisans, and workers in less industrialized countries (Reed, 2009). Producers' compensation in free trade is determined by market and government policies, while it is determined by living wage and community improvement costs in fair trade. The supply chain dynamics also differ significantly between free trade and fair trade. Free trade involves multiple intermediaries between the producer and consumer, whereas fair trade emphasizes fewer intermediaries and fosters more direct trade relationships.

3. Benefits of Fair Trade

Based on the concepts of fair trade outlined above, it becomes evident that various stakeholders, if not all, are served. Investors, employees, consumers, governments, communities, and interest groups all play a role in supporting fair trade initiatives. Fair trade prioritizes cooperation over competition throughout the value chain, from production to the sale of final products. Below is a summary highlighting the benefits of fair trade.

3.1. Protecting the environment

Fair trade is a tool that promotes environmentally friendly practices, such as enhancing soil and water quality, prohibiting the use of harmful chemicals, and fostering biodiversity. Fair trade co-operatives offer training to farmers, assisting them in adapting to climate change and transitioning to organic farming. In fact, over 50 percent of all fair-trade certified producers are also certified as organic. Many co-operatives invest the fair-trade premium in environmental sustainability. This can include providing farmers with more resilient crop varieties to combat pest and disease outbreaks or undertaking tree planting initiatives to safeguard soils and preserve indigenous wildlife habitats (Fairtrade International, n.d.)

3.2. Raising living standards

Fair trade plays a crucial role in enhancing economic sustainability and elevating living standards for farmers and workers. The fair-trade premium, often allocated to essentials like school fees, reduces financial burdens for farmers and workers, freeing up resources for other necessities such as food. Additionally, producers can utilize the premium for projects that generate alternative food sources, promoting food security. For workers, subsidized food loans can offer a valuable lifeline during lean months.

Small-scale farmers in the developing world suffer from poor market access and unfair international trade rules such as tariffs and rich countries' subsidies, they frequently do not share the benefits of global trade. Fair trade works with these disadvantaged farmers since it ensures that the price they get for their crop covers the cost of sustainable production and allows them to plan. Moreover, fair trade initiatives also aim to protect workers' rights to decent pay, a safe working environment as well as the right to join trade unions, fostering equitable and dignified employment conditions (De Janvry et al., 2015).

3.3. Improving productivity and quality

Farmers can earn more and protect the environment by improving both the quantity and quality of their crops. This improvement is facilitated through technical support and the adoption of better farming practices. Participation in fair trade enables cooperatives to gain insights into their buyers' preferences and the significance of producing high-quality goods. Fair-trade cooperatives frequently utilize the premium to provide farmers with essential tools, equipment, and shared facilities, all of which contribute to improving the quality of their produce and minimizing waste.

3.4. Stronger and inclusive businesses

Fair trade empowers farming groups to evolve into robust businesses, characterized by improved leadership and governance. By fostering strong relationships with diverse markets, fair-trade participants reduce their reliance on a single buyer and gain confidence in negotiating deals. Collaborative investments within cooperatives often enhance their access to credit, facilitating further growth.

Participation in the fair-trade network facilitates knowledge sharing and mutual learning among producers. Fair trade is 50 percent owned by the farmers and workers themselves, which means they are part of the most important decisions about what fair trade does. Fair trade also actively works towards bolstering women's roles and positions within the agricultural sector.

3.5. Making life better for communities

Environmentally and socially conscious consumers seek products that have minimal negative impacts on the environment. Recycling can lead to the improvement of communities and assist in generating finance to use in different projects. The fair-trade premium allows farmers and workers to invest in their communities, such as enhancing schools, covering teachers' salaries, or offering scholarships for school fees. Premium-funded projects also encompass infrastructure development like road construction and advancements in healthcare, ranging from establishing new clinics and immunization programs to enhancing water accessibility.

4. Fair Trade as a Challenge to Unfair Global Trading Relations

In the 1960s, there was an emerging theoretical argument that trade agreements were often crafted on terms unfavorable to countries in the Global South, which exacerbated inequality and poverty. Brown (2006) reported that those often perceived as being "left behind" were well integrated into global trade agreements. It was believed that the terms of trade, not the lack of trade, created the conditions for certain countries to be left behind and to share inequitably in the distribution of global wealth. The world had been divided into rich and poor, remarked Barratt Brown (1993) in his groundbreaking fair-trade text, and trade had driven the wedge between the two regions. Thus, an intellectual underpinning of fair-trade stems from dependency theory, a body of literature that argues that resources are directed from the Global South to the Global North, thereby relegating the former to a persistent condition of so-called underdevelopment (Barratt Brown, 1993; Smith, 2009).

The deconstruction of free-trade theory and the assertion that it cannot deliver on its promises deepened the theoretical underpinning of fair trade. Michael Barratt Brown noted that rural producers do not benefit from free trade because several market failures are endemic to the free-trade system and that the neoliberal assumption of a level playing field is erroneous. These market failures are the norm rather than the exception. He attributed these failures to large transnational companies that dominate agricultural markets due to their access to finance and their ability to easily switch from one supplier to another (Barratt Brown, 2007).

Fair Trade challenges historically unequal international market relations, seeking to transform North-South trade into an avenue for producer empowerment and poverty alleviation. Markets for Fair Trade products link ethically minded Northern consumers with democratically organized groups of poor Southern producers. The goal of this alliance is to provide disadvantaged producers a chance to increase their control over their own future, have a fair and just return for their work, continuity of income and decent working and living conditions through sustainable development (Murray et al., 2003).

To enhance fair-trade in Africa, we suggest establishing an African Continental Fair Trade Area to protect producers, traders and consumers against unfair trading relations and complement the work of the African Continental Free Trade Area as discussed below.

5. The African Continental Fair Trade Area

To place Africa on a path of inclusive growth and sustainable development, the proposed African Continental Fair Trade Area must effectively and sustainably address disparities between diverse entities both between and within countries. This includes, among others, addressing inequalities between men and women, and between the informal and formal sectors. The initiative should have fair trade as a core part of its mission and objectives, adhering to fair-trade principles, and actively engaging in supporting producers, raising awareness of fair-trade issues, and advocating for the integration of fair-trade principles into all African trade practices.

The African Continental Fair Trade Area should establish direct partnerships with small-scale producers, such as farmers and artisans, providing them with fair prices for their products, pre-financing options, and capacity-building support. Additionally, it should promote social and environmental standards. The African Continental Fair Trade Area should prescribe the following principles in its work and carry out monitoring to ensure these principles are upheld:

5.1. Principle one: Creating opportunities for poor producers

Poverty reduction through trade should be a central objective of the African Continental Fair Trade Area. This initiative should focus on supporting marginalized small producers, whether independent family businesses or those organized in associations or cooperatives. The goal should be to help these producers transition from income insecurity and poverty to economic self-sufficiency and ownership. By providing fair compensation, capacity-building resources, and market access, the African Continental Fair Trade Area can empower these small producers to achieve sustainable livelihoods and contribute to the broader economic development of the continent.

5.2. Principle two: Fair trading practices

The African Continental Fair Trade Area should prioritize trade with a focus on the social, economic, and environmental well-being of marginalized small producers. It should cultivate long-term relationships based on solidarity, trust, and mutual respect, contributing to the promotion and growth of fair trade.

5.3. Principle three: Fair payment

A fair payment is one that has been mutually negotiated and agreed upon by all through ongoing dialogue and participation, which provides fair pay to the producers and can also be sustained by the market, considering the principle of equal pay for equal work by women and men. The aim is always the payment of a local living wage. Fair payment is made up of fair prices, fair wages, and local living wages.

1. **Fair prices:** A fair price is negotiated through open dialogue between the buyer and the seller, based on a transparent price setting. It includes a fair wage and a fair profit, ensuring each player in the supply chain receives an equitable share of the final price.
2. **Fair wages:** A fair wage is an equitable, freely negotiated, and mutually agreed upon amount. It ensures the payment of at least a local living wage.
3. **Local living wages:** A local living wage is the remuneration received for a standard working week (no more than 48 hours) by a worker in a specific location. It should be sufficient to afford a decent standard of living for the worker and their family. This includes covering essential needs such as food, water, housing, education, healthcare, transport, clothing, and provision for unexpected events.

5.4. Principle four: Commitment to non-discrimination, gender equity, and women's economic empowerment

Human rights involve eliminating all forms of discrimination, particularly regarding workers' rights. The African Continental Fair Trade Area should implement a clear policy and action plan to promote gender equality. This policy should ensure that both women and men have access to the resources they need to be productive and the ability to influence the broader policy, regulatory, and institutional environment that shapes their livelihoods and lives.

5.5. Principle five: Promoting fair trade

The African Continental Fair Trade Area should actively raise awareness about the goals of fair trade and the necessity for greater justice in African trade through fair trade.

6. Women and Fair Trade

African countries boast a rich diversity of fair-trade products, including coffee, cocoa, tea, handicrafts, textiles, and more. Women's participation in fair trade in Africa is crucial for sustainable development and economic empowerment. Women significantly contribute to trade in most African countries through their involvement in the production of tradable goods, cross-border trading, small-scale production, home-based entrepreneurship, and the services sector, primarily as informal and casual workers. Additionally, they play key roles as managers and owners of firms engaged in trade.

The AfCFTA Agreement explicitly recognizes the importance of gender equality. Article 3 (e) states that the AfCFTA aims to "promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation". Increasing women's participation in intra-regional trade in Africa has great potential to contribute to the AfCFTA objectives of inclusiveness, gender equality and socioeconomic and structural transformation of the State parties (AU, 2018; World Bank, 2020).

As fair trade seeks to tackle poverty then it is necessary to identify and target women. Fair trade provides African women with opportunities to generate income and improve their livelihoods. Many women are involved in agricultural activities, such as farming coffee or cocoa, where fair trade ensures fair prices for their products. By participating in fair trade cooperatives or enterprises, women gain access to markets, fair wages, and stable income. This enables them to support themselves and their families and invest in education and healthcare (Renard, 2005; Jaffee, 2007).

Many studies have documented the impact that fair trade has had on the lives of women and gender relations in participating communities, identifying both direct and indirect effects on the livelihoods and experiences of women. These studies have examined gender relations in the context of fair trade and considered the extent to which these issues have been addressed. Women's involvement in fair trade is substantial, with significant participation in coffee farming (Eshuis & Harmsen, 2003; Murray et al., 2003; Tallontire, 2000), shea butter production

(Greig, 2006), banana cultivation (Blowfield et al., 1999; Blowfield & Gallet, 2000), and horticulture (Tallontire et al., 2005). As more products become certified as fair trade, the number of women involved is likely to increase, thereby enhancing ethical consumerism, which emphasizes social responsibility, human rights, and workers' rights.

The most obvious economic benefit of women's involvement in fair trade is the increased income through the payment of a "fair price" and the distribution of the fair-trade premium. Women often fulfill productive roles while also shouldering responsibilities such as domestic work and community tasks. Increased income from fair trade can help alleviate some of these burdens. Female peanut farmers in Malawi for example, have responsibility for caring for children and the elderly, domestic work, and fetching water when there is often not a safe supply. Fair trade has alleviated some of these pressures by providing greater financial security through fair prices and funding investments that reduce unpaid labor, allowing women to be more productive. For instance, the development of clean water supplies within communities has freed up time that would otherwise be spent collecting water.

Another example is shea butter, a product used in cosmetic production, which provides an income for women in Burkina Faso (Greig, 2006). Shea nut harvesting and butter production are unique in that they are exclusively managed by women. The knowledge of tree locations and harvesting techniques is traditionally passed down through generations of Burkinabé women. Efforts to cultivate the trees have been unsuccessful so knowledge of the location of the trees is a valuable resource for women, and the production of the oil or butter from the nuts offers a unique opportunity for Burkinabe` women to generate income, and affords women respect, authority, and control over resources that they would not otherwise enjoy (Greig, 2006).

The above examples suggest that fair trade can provide economic resources to women, but there is also evidence that increased income can give women more control within households and over their own futures. In some cases, greater access to economic resources leads to increased confidence and self-esteem among women.

Shea nut production is an area traditionally dominated by women. To assess the general impact of fair trade on women, it is also important to consider sectors traditionally controlled by men, such as banana and coffee farming (Blowfield, 1999; Blowfield & Gallet, 2000; Tallontire, 2000).

In the case of banana cultivation, plantation work is gender-specific, with men considering fieldwork such as harvesting, clearing, and replanting, as an extension of farming responsibilities. While fair trade banana cultivation has increased livelihood opportunities, women have been less likely to benefit in this context. Blowfield and Gallet (2000) found that only 16 percent of workers in Volta River Estate banana production in Ghana were women, with the gender imbalance attributed to the nature of the work.

Similarly, in the Kilimanjaro Native Co-operative Union (KNCU), which supplies coffee to Cafe´direct, the UK's largest fair-trade hot drinks company, coffee farmers are predominantly men. This is largely due to land ownership being a condition of membership. Despite female labor being crucial to coffee cultivation and harvest, women's interests are not represented within the cooperative (Tallontire, 2000).

Tallontire et al. (2005) argue that this gender imbalance has not been challenged by KNCU or Twin, the partners in the fair-trade relationship. Women's involvement in commercial cocoa production is also limited by issues related to land ownership and gender stereotypes, even where affirmative measures have been implemented to encourage their active and effective participation in decision-making.

Women play a crucial role at both the production and consumer ends of the cocoa-chocolate value chain, given that they constitute the majority of customers. Despite this, the industry exhibits significant gender imbalances, particularly in leadership roles, where senior management and directors in many chocolate manufacturing and cocoa trading companies are predominantly male. Cocoa trading and production have been perceived as male-dominated activities. This gender disparity has drawn criticism from organizations like Oxfam, prompting chocolate-confectionery companies to address gender issues within their cocoa-chocolate value chains. In response, leading brands have made public commitments to promoting gender equality, and the World Cocoa Foundation's CocoaAction Plan now includes a dedicated gender component.

There is growing recognition within the industry that empowering women economically and socially is essential for the long-term sustainability of quality cocoa production and the well-being of cocoa-producing communities. The Cadbury Cocoa Partnership (CCP) was established by Cadbury in 2008 to tackle the socio-economic challenges of cocoa farming. This initiative was expanded in 2012 by Mondelēz International under the Cocoa Life (CL) program. From its inception, the CCP/CL has collaborated with international organizations, NGOs, government bodies, and local implementing partners to achieve its goal of fostering thriving communities that support a sustainable cocoa supply chain. A focus on gender equality has been integral to the CCP/CL's design, making it a cross-cutting theme across all the pillars of the Cocoa Life program (Barrientos & Bobie, 2016).

Madely (2000) reviewed the activities of the Kuapa Kokoo Farmer's Union (KKFU)[1] in Ghana and outlined several measures aimed at promoting women's involvement. These measures focus on ensuring significant female representation

[1] Kuapa Kokoo is a well-established cooperative in Ghana, distinguished as both a registered licensed buying company (LBC) and a Fairtrade-certified organization. It supplies Fairtrade cocoa to Cadbury-branded chocolate. Membership is exclusive to women who are recognized as farmers, though Kuapa Kokoo actively encourages male farmers to transfer land ownership to their female spouses (Barrientos & Bobie, 2016).

on committees such as the regional council, the National Executive Committee, the KKFU Board, and the Board of Trustees.

While affirmative measures suggest that women are represented in the KKFU, Mayoux's review indicates that access to these positions is highly dependent on access to land for cocoa production. She points out that "Women are involved in all aspects of cocoa production and primary processing, though cocoa as a cash crop is viewed as a man's crop largely because of the land ownership structure [which exists]. Even where women have access to their own land, their farm size is smaller because of a combination of factors: limited capital base, obligations to work on their husband's farm and more off-farm workload. This lack of access to land, as well as gender stereotypes and divisions of labor also affects the types of other activities in which women can engage. It is difficult for them to plant permanent tree crops."

This issue is not an isolated case. In developing countries, women's access to land and credit is often more limited than that of men due to social, cultural, and political factors (Datta & Kornberg, 2002). Furthermore, within smallholder farming, family labor is frequently not factored into the costs of production resulting in women not receiving direct remuneration for their work. Fair trade encourages export crop cultivation where earnings are often controlled by men, despite the vital role that women play in production of commodities such as coffee and cocoa. Consequently, women may not be financially rewarded for their labor, and family farm obligations and land ownership restrictions prevent them from managing their own farms or having control over the income generated (Redfern & Snedker, 2002).

Even in the case of shea butter production, which is dominated by women, this activity is confined to the informal sector. Traditional gender relations, where men control formal commodity production, restrict women to small-scale subsistence production and local markets. Moreover, if a Burkinabé woman's husband does not approve of her involvement in commercial activity, he may prevent her from participating (Greig, 2006). Nicholls and Opal (2005) consider women's participation in commercial agricultural production a mixed blessing; while women may be rewarded for their involvement, it often leads to an overall increase in workload as productive activities do not exempt them from domestic responsibilities and other community tasks.

The examples illustrate a common pattern in gender relations across different regions of the developing world, known as the sexual division of labor. Men are more likely to be employed in more highly skilled, core areas of production, while women are often employed in lower-paid, lower-skilled jobs.

One of the most transformative impacts of fair trade on women's lives is the strategic use of the fair-trade social premium, which is frequently invested in community projects. Among the various benefits, the opportunity to educate children stands out as highly valued by Fair Trade beneficiaries. Women producers who receive this premium have the autonomy to decide how it is allocated and which projects it will support. For example, in the Dougoroukoroni cooperative in Mali, women cotton farmers utilized their first fair trade premium to construct a schoolhouse. Once completed, the school quickly filled with eager children, underscoring the high demand for education in the community. Given the positive correlation between education and development, Fair Trade can be seen as a catalyst for educational attainment and a significant developmental force for producers and their families. This initiative also inspired a collaborative effort between the local government and the cooperative to expand the school, which was initially overwhelmed by the growing number of students (Lamb, 2008; McArdle & Thomas, 2012).

In addition to advancing education, Fair Trade has been instrumental in fostering the development of various peripheral services that benefit producers and their families. Improved health and nutrition are among the significant outcomes, supported by a range of community-driven projects. For instance, in Malawi, Fair Trade peanut farming has generated funds for drilling additional boreholes, providing safer and cleaner water to communities and consequently reducing the incidence of waterborne diseases (McArdle & Thomas, 2012).

Overall, fair trade plays a transformative role in empowering women in Africa. By ensuring fair economic opportunities, promoting gender equality, and fostering community development, fair trade contributes significantly to creating a more inclusive and sustainable future for women in Africa's trade sector.

7. Conclusion and Policy Recommendations

While the African Continental Free Trade Area (AfCFTA) focuses on creating a single market and enhancing trade integration among African countries, the African Continental Fair Trade Area should champion ethical and equitable trade practices, especially for small-scale producers. Despite their distinct scopes and objectives, they can complement each other in fostering sustainable and inclusive trade. Fair trade principles and practices can be seamlessly integrated into the framework of the African Continental Free Trade Area (AfCFTA).

Fair trade initiatives can play a pivotal role in ensuring that the benefits of increased intra-African trade are fairly distributed among producers and communities, particularly those who are historically disadvantaged or marginalized. By incorporating fair trade principles within the AfCFTA, African countries can prioritize sustainable and responsible trade practices that benefit small-scale producers, marginalized communities, and the environment. This encompasses fair wages, safe working conditions, environmental sustainability, and community development. Such initiatives not only empower small-scale producers but also promote economic inclusivity and environmental stewardship across the continent.

While the concept of an "African Continental Fair Trade Area" has not yet materialized, it is both feasible and beneficial to align fair trade principles and practices with the objectives of the AfCFTA. This alignment can foster a more inclusive and equitable trade environment across Africa. The AfCFTA's overarching aim should be to establish a fair and equitable trading framework by dismantling trade barriers and ensuring a level playing field for all participating countries.

The implementation of the AfCFTA marks a new chapter in trade governance in Africa and presents an opportunity to undertake essential structural reforms continent-wide, fostering inclusive growth and sustainable development. To fully harness the benefits of the AfCFTA and ensure inclusivity, all relevant stakeholders must be involved in designing and implementing policy reforms and trade facilitation measures.

It is crucial to recognize that women face higher barriers compared to other groups. Policy interventions should seek to harness emerging opportunities and address structural barriers to women, which will require a targeted blend of interventions extending beyond trade policies. It includes ensuring equal access to resources and educational opportunities, such as technical education and vocational training, specialized skills development, and digital literacy. Monitoring mechanisms should be developed to ensure that the AfCFTA empowers women and promotes inclusivity.

Here are some recommendations to foster fair trade and move towards a more inclusive and equitable AfCFTA:

1. Developing and implementing strategies and policies to ensure that both women and men can benefit from opportunities associated with fair trade is crucial. These strategies should allocate adequate resources to achieve policy objectives effectively. In fact, policies must have real enforcement power; they need to be backed by sufficient resources and commitment from senior staff, including incentives to ensure policy implementation. Ultimately, the effectiveness of policies depends on the dedication of those responsible for implementing them.
2. Policy makers focused on social equity must deepen their understanding of the interplay between fair trade and free trade. This understanding is crucial for taking necessary steps to enhance the implementation of fair-trade principles and to develop complementary mechanisms that mitigate any negative effects. Additionally, they should establish policies, programs, and projects aimed at improving the lives of both men and women in society.
3. Creating strategic alliances between gender equality advocates, fair trade activists, and development actors working on policies and programs is essential. These alliances ensure that initiatives focusing on workers' rights, market access, fair trade, and human rights campaigns also prioritize gender equality. By integrating gender equality into these

initiatives, we can contribute significantly to achieving social and economic justice for all.

4. Promoting the participation of gender experts in fair trade discussions at all levels is crucial. Establishing multi-stakeholder mechanisms is equally important to reshape the trade agenda in favor of a pro-poor and gender-aware development framework. The engagement of gender experts across various fair-trade activities and transactions is vital for assessing whether fair trade truly serves as a catalyst for sustainable development.
5. Gender-sensitive institutions, robust legal frameworks, and effective market support systems are essential to dismantle structural barriers hindering women's participation in markets and to safeguard their rights as workers, producers, and consumers. It is imperative to implement gender mainstreaming within organizations focusing on fair trade issues, ensuring that women's specific disadvantages are actively addressed. Collaborating with trade unions and other employment institutions to advocate for labor rights that account for diverse gender roles and unequal power dynamics is crucial for promoting gender equality in fair trade practices.

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THE CORPORATE SOCIAL RESPONSIBILITY OF SAFEGUARDING HUMAN RIGHTS

Julia M. Puaschunder, PhD

In the modern era of interconnected economies and global awareness through digital online media, businesses align profitability with ethical responsibility as never before in the history of capitalism. As entities wielding immense economic and social influence around the world in different market systems, corporations have established a unique role in promoting and safeguarding human rights. Moving beyond the pursuit of profits, businesses oftentimes embrace moral imperatives that align their operations with the principles of dignity, equity, and justice. This approach not only addresses societal needs but also strengthens the foundation of sustainable development and global trust. The history of market crises has also proven that corporations that align business endeavors with moral responsibility pledges are not only safer options over time but also have a growing interconnectedness with consumers around the world. Corporations have become vital global governance providers and therefore have leveraged into important allies for the United Nations. This chapter covers the evolution of Corporate Social Responsibility, practical examples of corporate social conduct to embrace human rights as well as future perspectives of the trend of corporations as human rights advocates in business and finance.

Keywords: Businesses, Corporations, Human Rights, Social Responsibility, Ethical Responsibility

1. The Evolution of Corporate Social Responsibility

The concept of Corporate Social Responsibility (CSR) has evolved into a cornerstone of modern business practices (Chua, 2003). Historically, corporations were viewed as entities primarily tasked with maximizing shareholder returns (Friedman, 1970). Most recent decades have turned corporations into vital social responsibility advocates. A combination of trends influenced corporate executives to more actively support human rights than ever before. Growing globalization trends have amplified the responsibilities of businesses. As corporations started operating across borders, their influence often extended into regions with fragile governance systems and limited protection for human rights. In such contexts, companies often become praised catalysts for positive change. Upholding corporate social conduct throughout the value chain became a beacon of hope for international development enacted through global corporate conduct.

The advent of the internet in the early 2000s has opened a window to the world of production and consumption styles. With social online media discourse and publication means that transport ideas and conduct around the world instantaneously, the gates have been opened for discourse on corporate practices and flagging irresponsible corporate conduct that is not in line with human rights observance. The opening eyes to the world of the supply chain production has triggered consumer cultures that would only align with a corporation through purchases if the corporate conduct were meeting ethical standards along its value chain. The 2008 financial crisis underscored the risks of unregulated markets and the need for ethical accountability in corporate practices. In response, CSR emerged as a multidimensional framework addressing economic, legal, social, and philanthropic responsibilities. CSR extends beyond corporate compliance with laws and regulations by embedding ethical considerations into business strategies.

The connection of corporate irresponsible conduct having caused a systemic risk in the financial sector also raised awareness for the idea of financial social responsibility. Socially Responsible Investing (SRI) offers the integration of social, environmental and institutional aspects in financial products. In the case of political divestiture, socially responsible investors refrained from contributing to politically incorrect market regimes and thereby implicitly uphold human rights standards with their financial contributions (Puaschunder, 2010).

In the eye of global threats, such as climate change and the COVID-19 pandemic but also rising social justice movements, corporate responsibility has grown in scale and scope throughout the last decade. Unraveling disparate impacts of policies and market conduct but also socio-political pressures on specific segments of society have fostered the connection of the corporate sector with human rights advocacy (Puaschunder, 2023). Disparate impacts of crises, such as the COVID-19 pandemic and climate change, caused special care of corporations to those societal segments in need for protection and support.

In the United States, governmental agencies that historically have overseen market conduct with primary focus on efficiency and effectiveness have also started to take on a role of ethical market conduct. For instance, the Securities and Exchange Commission (SEC) advocated for Environmental, Social and Governance (ESG) disclosure regulation in the United States, which pays attention to corporate conduct's relation to human rights as well.

In Europe, traditionally the corporate sector had a larger expected obligation to serve society. Historical examples of banking, having incorporated social responsibility for many centuries, were now institutionalized within the European Horizon framework that pays attention to corporate social conduct being also a promoter of human rights. Foremost the European Union now has a track record of funding corporate social conduct for several decades.

All the mentioned trends have heightened attention for human rights to growingly been incorporated in corporate conduct. Companies recognize that their actions influence a broad spectrum of stakeholders, including employees, customers, communities, and the environment. This realization has catalyzed a shift towards a "stakeholder-first" approach, integrating human rights as a central tenet of corporate governance.

Incorporating human rights into corporate strategy is not just a moral obligation but also a pragmatic choice. Ethical practices enhance brand reputation, foster customer loyalty, and attract socially conscious investors. Moreover, businesses that respect human rights are better equipped to navigate regulatory landscapes, manage risks, and ensure long-term profitability (Puaschunder, 2023).

Conversely, neglecting human rights can lead to reputational damage, legal liabilities, and loss of stakeholder trust. The interconnected nature of today's world means that corporate missteps can rapidly escalate into global crises, as seen in cases of labor rights violations and environmental disasters.

2. Corporate Social Responsibility and Socially Responsible Investment Mechanisms

Corporations can become catalysts of positive change and advocates for human rights in several ways. Regulatory pressure, institutional support, campaigning, stakeholder observance as well as networking approaches to engage with the community are key drivers of corporations to uphold and promote human rights standards and values around the world.

2.1. Regulatory control

Regulatory control is directly enacted by governmental authorities that have come to a realization of the importance of human rights observance through corporate conduct. Scandals of the past and systemic risk imbued onto market systems due to irresponsible market conduct have heightened awareness for the need of governmental regulatory oversight of market conduct. Examples of regulatory pressures enacting CSR and human rights watch for the corporate world include modern slavery abolishment (e.g., United Kingdom Modern Slavery Act of 2015; Australia Modern Slavery Act of 2018), due diligence legislation (e.g., European Union's Corporate Sustainability Due Diligence Directive, European Union's Corporate Sustainability Due Diligence Directive; France Duty of Vigilance Law of 2017), Anti-Discrimination Laws (e.g., Civil Rights Act 1964 in the US; Equal Employment Opportunity Legislation to ensure equal treatment and diversity in hiring, pay and treatment), Worker Protection Laws (e.g., Occupational Safety and Health Act of 1970 in the USA; Minimum Wage Laws that guarantee a fair compensation to workers, prevent exploitation and basic human rights; Union protection to ensure attention to human rights through all corporate ranks and conduct), Environmental and Indigenous Rights (e.g., in the United Nations Declaration on the Rights of Indigenous Peoples; Environmental Protection Laws with a social impact component such as the US National Environmental Policy Act that requires assessment of social and environmental impacts of projects), Reporting and Transparency Requirements (e.g., Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; California Transparency in Supply Chains Act of 2010), international trade sanctions and International Labor Organization Conventions (e.g., sanctions and boycotts against South Africa during Apartheid; abolishment of forced labor; labor standards watch; union protections).

Regulatory pressure to publish annual statements about corporate conduct publicly, while remaining companies to identify and prevent human rights violations—e.g., via vigilance plans and established prevention controls—are standard governmental conduct to enact human rights in the corporate world. These regulations and frameworks demonstrate the critical role governments play in embedding human rights into corporate conduct, ensuring that businesses operate responsibly and equitably.

2.2. Institutional support

Institutional support to pay attention to decent working standards and extend human rights watch onto the corporate sector are directly enacted via subsidies and governmental programs to imbue ethics into the private sector. Global governance institutions have been pivotal to foster Public-Private Partnerships (PPPs) to engage corporations on global governance projects, such as the Sustainable Development Goals or climate bonds to help the redistribution of public funding for global causes.

Direct institutional support through funding for specific causes has been part of US governmental activities in the initiative to bring nature into national accounting (Puaschunder, forthcoming). The European Union features a track-record of funding top-down governance that weaves in the corporate world in governance projects and global goals, for instance, enabled through the Horizon Europe frameworks.

Public-Private Partnerships often also offer multi-stakeholder platforms to discuss engagement opportunities on the implementation of human rights in the corporate sector. For instance, the World Bank's Public-Private Infrastructure Advisory Facility (PPIAF) hosts events focused on sustainable infrastructure that respects community rights and minimizes social impact. In addition, the Global Alliance for Information and Communication Technologies (ICT) and Development facilitates partnerships between tech companies and governments to enhance equitable access to technology, respecting human rights.

2.3. Campaigns

As for international organizations fostering global governance goals through campaigns, for example, the United Nations Global Compact (UNGC) exemplifies how businesses can contribute to global governance and foster social progress. The UNGC's Ten Principles on human rights, labor, environment, and anti-corruption serve as a benchmark for responsible corporate conduct. By adhering to these principles, businesses not only mitigate risks but also align their operations with global ethical standards.

Similarly, initiatives like the Global Alliance for Information and Communication Technologies (ICT) and the Development of the United Nations demonstrate the potential of multi-stakeholder collaborations in advancing equitable access to resources and opportunities.

With the climate change crisis having gained unprecedented urgency in the most recent decade, there is a growing climate change mitigation and adaptation interest met by global governance efforts spearheaded by the United Nations Framework Convention on Climate Change (UNFCCC) as well as the United Nations Conferences of the Parties on Climate Change (COPs).

Both initiatives embrace a wide range of stakeholders and—due to the impetus and worldwide reach of the United Nations—have spearheaded global governance goals in the corporate sector around the world.

2.4. Stakeholder observance

Stakeholder observance includes possibilities to embrace the internet for corporate monitoring. Whistleblower activities, activism and crowd influencing are modern ways to connect over common causes. GoFundMe campaign online, hashtags but also online events gathering crowds from around the world have become vital ways to inform, mobilize and change corporate conduct for the better. Shedding light on production processes around the world coupled with instant mobilization of masses are modern ways to alert and maintain a high level of ethical corporate conduct throughout the entire value chain.

With Artificial Intelligence (AI) gaining ground in producing knowledge and academic output, the opportunity to steer dialogue in an ethically-programmed way that alerts for human rights has been given. Large Learning Models (LLMs) of the future should be monitored to hold up attention to human rights and ethical standards, which can implicitly imbue corporate attention to these matters through dialogue and information campaigns enhanced by LLMs.

2.5. Networking

Networking approaches include events and active Public-Private-Partnership networking opportunities that target at weaving together stakeholders in the accomplishment of common goals. Networking events and initiatives led by global governance institutions and corporate sector actors play a pivotal role in promoting human rights. These forums foster collaboration, share best practices and foster a common sentiment of social responsibility in the corporate world. Multiple activities help align strategies across sectors and among multiple stakeholders.

Examples include the United Nations Global Compact Leader Summit as an annual gathering of corporate leaders, policymakers, and civil society representatives to discuss global challenges, including human rights. Focus is placed on progress in implementing the Ten Principles related to human rights, labor, environment, and anti-corruption. Best practices and role model learning are facilitated through the established networks. United Nations Global Compact Network Events round up the stakeholder engagement by providing frequent regional forums connecting businesses, governments, and NGOs to address human rights challenges specific to local contexts. Similarly, the World Economic Forum offers an annual meeting that brings together global leaders from business, government, and academia to address pressing global issues, including human rights. Dedicated sessions on topics like equity in supply chains, labor rights, and corporate accountability. Additional initiatives with similar focus include the Forum Alpbach in Austria.

Educational initiatives include The Association to Advance Collegiate Schools of Business (AACSB) as an American professional and accreditation organization that aims to foster ethics and responsibility in business school curricula. Ingraining attention to ethics at the educational level is thereby meant to change systems at their initial stage before regulatory pressure and corporate shaming or greenwashing occurs. The AACSB operates with accreditation, training and best practice award mechanisms. An additional educational promotion of sustainability is the Oikos initiative in Switzerland that advocates for sustainability in university contexts, such as curricular activities and stakeholder engagement events, including business collaborations.

Multiple other platforms exist around the world that aim at shaping corporate conduct with attention to human rights. For instance, the Organisation for Economic Co-operation and Development (OECD) Responsible Business Conduct Events include the OECD Global Forum on Responsible Business Conduct, which is an annual forum for dialogue between governments, businesses, trade unions, and NGOs on integrating human rights into corporate practices. Events like these help discuss OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The International Labour Organization (ILO) hosts events like the International Labour Conference that brings together governments, employers, and workers' organizations to address global labor rights and working conditions. Main focus areas include the eradication of forced labor, child labor, and workplace discrimination. The ILO Global Business and Disability Network Meetings connect businesses committed to the inclusion and celebration of special abilities and equal opportunities in the workplace.

Particularly targeted Human Rights Business events include the UN Forum on Business and Human Rights as the world's largest annual gathering on business and human rights, hosted by the UN Working Group on Business and Human Rights. This forum offers a platform to discuss the implementation of the UN Guiding Principles on Business and Human Rights. In the age of digital education, Business and Human Rights Resource Centre webinars and workshops offer regular virtual and in-person events focusing on corporate accountability and human rights advocacy.

Industry-specific networking initiatives include the Global Reporting Initiatives (GRI) conference, which engages companies in transparent reporting on human rights impacts and sustainable development. The Ethical Trading Initiative (ETI) summits collaborate with businesses to promote fair trade practices and uphold workers' rights globally in cooperation with union efforts.

Events are also often staged as philanthropic and advocacy platforms, such as the Clinton Global Initiative (CGI), which brings together corporations, NGOs, and governments to commit to actionable human rights and sustainability goals. B Team Gatherings offer a coalition of business leaders advocating for responsible corporate practices, including human rights.

Regional, national, and local events feature direct bottom-up opportunities to exchange information on the implementation of human rights on the ground. For example, the African Forum on Business and Human Rights is a regional platform to address human rights challenges specific to Africa, fostering collaboration between corporations and civil society. Another initiative is the Asia Business and Human Rights Conference, which brings together Asian business leaders and policymakers to promote responsible business practices aligned with human rights. These networking events provide opportunities for dialogue, collaboration, and capacity-building, ensuring that businesses integrate human rights into their operations and strategies effectively.

3. Cases

Three cases to effectively bring businesses closer to governance goals of human rights are captured in Socially Responsible Investment, Consumer Protection and the Climate Change Adaptation via integrated Top-Down and Bottom-up efforts.

3.1. Socially Responsible Investment (SRI)

Socially Responsible Investment (SRI) aligns financial interest with social values of human rights. This form to honor human rights through active portfolio choices of corporations that acknowledge high standards of ethics in their business activities as well as disregard of institutions that are operating with neglect for human rights standards reflects the growing integration of ethical considerations in financial decision-making. Investors increasingly demand transparency and accountability from corporations, emphasizing social and environmental performance alongside financial returns. SRI strategies, such as ethical screenings and shareholder advocacy, ensure that investments contribute to societal well-being.

Political divestiture is a powerful example of SRI's impact. The withdrawal of investments from Apartheid-era South Africa demonstrated how capital flows could influence political change. Today, similar strategies address issues like environmental degradation, labor exploitation, and governance failures, reinforcing the notion that financial markets can be a force for good.

3.2. Corporate Consumer Protection

Corporate consumer protection is a moral and business imperative that aligns corporate operations with societal expectations. By adhering to ethical standards and legal frameworks, businesses not only protect their consumers but also foster sustainable growth and long-term success.

Corporate Consumer Protection refers to the practices, policies, and regulatory compliance efforts businesses implement to ensure the safety, fairness, and transparency of goods and services offered to consumers. This critical component of corporate responsibility contributes to building trust, safeguarding consumer rights, and enhancing market efficiency.

Core concepts include transparency to ensure consumers are well-informed about products or services, including pricing, risks, terms, and conditions. Safety standards are guaranteed if goods and services meet safety standards to prevent harm to consumers. This includes compliance with regulatory safety standards and production protocols but also outdoing product liability risks by rigorous quality testing and transparent reporting of accurate hazard estimations. Transparency in disclosing product ingredients, materials and potential risks should be coupled with having recall mechanisms in place for defective or harmful products is key in ensuring human rights standards in terms of production and consumption.

Fairness in the production and consumption, such as misleading advertising or hidden fees, helps provide equitable treatment and business practices that avoid exploitation on all accounts along the value chain. Ethical marketing and advertisement ensure accurately representing product features and capabilities. Best practices live from avoiding deceptive or manipulative marketing tactics with special attention to vulnerable populations, such as children. Fair pricing practices prevent predatory pricing, price discrimination and unfair hidden fees. Displaying clear and detailed pricing information to consumers but also consumer protection with grievance, redressal and customer support. Offering accessible channels for customer feedback and complaint resolution, such as helplines, chat support, or ombudsman services grants gateways to enact human rights standards implicitly. Resolving issues in a timely, fair, and transparent manner is an additional means to enact consumer protection holistically. Newest developments also aim to address the trade-offs related to the financial pressures of sustainability, which disproportionately affect marginalized communities. Sustainability pressures on those consumer segments who can hardly afford a living in this light appear unethical.

Privacy and data protection help safeguard consumer data against misuse, breaches, or unauthorized sharing. Regularly auditing and upgrading cybersecurity measures are technical advancements to acknowledge human rights in the digital age from the technical side. Accountability control offers accessible grievance redressal mechanisms for consumer complaints and resolving disputes promptly. Data privacy and security includes compliance with data protection laws like the General Data Protection Regulation (GDPR) in Europe or the California Consumer Privacy Act (CCPA) in the United States as well as social media regulation, especially when it comes to cyberbullying and age limits. Providing consumers with control over their personal data, including opt-out options for data collection and usage, and protecting vulnerable populations include attention for human rights online.

Environmental and ethical practices also incorporate sustainability into product design and production. It is important to avoid environmental harm that may indirectly affect consumer well-being, such as pollution or unsustainable resource extraction. Regulatory frameworks supporting consumer protection include the United Nations Guidelines for Consumer Protection (UNGCP), which provide international standards for consumer rights and protection. Country-specific Consumer Protection Acts (e.g., Consumer Protection Act of India in 2019; Consumer Rights Act of the United Kingdom in 2015), provide legislation and regulatory provisions for safeguarding consumers. International Organization for Standardization (ISO) are standards like ISO 10393 (consumer product recall guidelines) and ISO 10002 (customer complaint management).

Concrete corporate practices in consumer protection currently face a shift from responsive measures to proactive obligations enforced by consumer pressure and online transparency. Responsive measures address consumer concerns, work towards safety with recall notices and rectification of misleading information as well as compensating consumers fairly if harm has occurred. Proactive measures are on the rise with developing comprehensive policies for consumer safety and protection rights. Conducting regular trainings for employees on consumer protection laws and ethics is more and more enhanced by novel insights derived from consumer feedback analyzed through AI and big data techniques to improve products and services in a targeted and diversified way. For instance, AI offers ways to process information about individual customer preferences derived from a cloud of interaction clues.

Overall benefits of corporate consumer protection include building trust and brand loyalty, reputation management for a pro-active case but also in light of public online backlash, market efficiency through fair and transparent practices that build reputation and customer satisfaction, risk management through averted liability claims and lawsuits as well as global governance compliance that connects the business to the overall community and society.

3.3. Climate change adaptation efforts combining top-down and bottom-up forces

With the realization of the negative consequences of global warming, there is a growing climate change mitigation and adaptation demand. Global governance efforts to enact climate justice spearheaded by the United Nations Framework Convention on Climate Change (UNFCCC) as well as the United Nations Conferences of the Parties on Climate Change (COPs) is met with market approaches such as the Corporate Social Responsibility reporting of CO_2 emissions of the private sector and Environmental, Social and Governance (ESG) finance solutions.

In the current climate change adaptation efforts, the implementation of ambitious global governance goals (like Sustainable Development Goals) requires a concerted action of top-down governance measure coupled with bottom-up local and regional efforts.

The harmoniously concerted interplay between top-down approaches and bottom-up implementation efforts can enhance the implementation of Sustainable Development Goals. Top-down policies set uniform standards (such as carbon footprint reduction and reporting of accomplishments within industries). Top-down measurement can also include sustainability matrix and taxonomies to capture industry-contributions and benchmark private actor activities. Bottom-up strategies can help reallocate resources among disparately-affected actors. As local contexts vary, bottom-up initiatives allow for flexibly attuning sustainability to cater specific needs of communities in line with the environmental conditions. Local stakeholder grassroots efforts and community engagement circles can help identify unique challenges that can be overcome in an individualized and targeted approach.

The integration of top-down and bottom-up approaches in a scientifically-organized way facilitates the sharing of best practices and knowledge transfer on a global scale. Local corporate feedback should inform broader policy in a dynamic interaction that public-private sector exchange grants. This dynamic interaction of local support of human rights analyzed from a comparative perspective allows generating best practice success factors that may help generalize powerful examples of human rights in action.

Discussion

The moral imperative for businesses to safeguard human rights has grown in most recent decades. Corporations are increasingly viewed to hold a collective responsibility in society shared by all stakeholders, who interact with the corporation. By aligning their operations with ethical principles, businesses can drive meaningful social responsibility in a mission where profit can be found in creating meaningful and sustainable purpose for society. Ethical leadership is central to embedding human rights within corporate culture. Leaders serve as role models, balancing profit motives with moral obligations. Responsible leadership fosters trust and drives organizational change, ensuring that human rights considerations are integrated in decision-making processes. In order to serve society in a meaningful way, organizations can promote awareness of human rights. Higher education can provide ethicality trainings that pay attention to human rights. Governments can create incentives for pro-social corporate conduct and reward socially responsible market options. Regulatory attention but also breeding public-private partnerships are additional means to strengthen social responsibility of market actors. Transparency and accountability mechanisms, such as public reporting and stakeholder engagement, further reinforce ethical commitments. As stewards of economic progress, corporations have the power to shape societies and safeguard the rights of future generations. Embracing this responsibility not only addresses immediate challenges but also paves the way for a sustainable and equitable global economy that is ennobled by attention to justice, dignity, justice and the ethical thriving of humanity.

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A CASE STUDY ON CORPORATE PARTNERSHIPS WITH ADRA: ADVANCING SOCIAL, ETHICAL, AND HUMAN RIGHTS PROTECTION AND ADVOCACY

Herma Percy, PhD

In today's increasingly interconnected world, businesses are no longer solely accountable for generating profits for shareholders—they are increasingly expected to address their broader social impact on society and the environment. Corporate Social Responsibility (CSR), or social impact work, has evolved from a peripheral concern into a central component of business strategy (Lutkevich, 2024). According to *Harvard Business Review*, companies are now expected to contribute positively to the well-being of communities in which they operate, not only through economic gains but also by fostering social, cultural, and environmental well-being (Taylor, 2024). However, not all businesses live up to these expectations. Many fail to adequately address social and ethical issues in their operations, neglecting their responsibilities to the communities that support them. This emphasizes the need for greater accountability and advocacy, urging corporations to fulfill their CSR obligations and protect human rights in all aspects of their operations.

Keywords: Human Rights, Ethical Businesses, ADRA

The Connection Between Business and Human Rights

The relationship between business operations and human rights is undeniable. As companies expand their global reach, they often find themselves at the heart of societal issues—ranging from environmental degradation to human rights violations. In such contexts, it is crucial that businesses uphold high ethical standards and actively contribute to building a more prosperous and resilient community. A company's decisions—whether regarding labor practices, environmental management, or data privacy—can directly impact people's lives. Poorly managed supply chains, exploitative labor practices, pollution, and even data mismanagement can infringe on basic human rights. Conversely, businesses that adopt responsible and ethical practices can make a significant positive impact on the lives of individuals and communities. For this reason, companies must not only avoid violating human rights but also take proactive steps to protect and promote the safeguarding of these rights wherever they operate.

The Importance of Ethical Business Practices

Ethical business practices go beyond mere legal compliance; they involve a moral responsibility to conduct operations in ways that benefit society and respect human dignity. Businesses must demonstrate sensitivity to the social, cultural, economic, and environmental contexts in which they operate.

The UN Guiding Principles on Business and Human Rights provide a clear framework for how corporations should respect human rights in their operations, particularly in countries where local laws may be weak or nonexistent (UN Guiding Principles Reporting Framework, 2024). These principles help businesses ensure they are not causing harm and encourage them to take steps to safeguard human rights within their supply chains and operations. By adhering to these principles, companies can avoid contributing to human suffering and instead foster positive, sustainable outcomes for workers and communities. This is especially important when corporations partner with civil society organizations (CSOs), and, specifically, faith-based organizations (FBOs) that focus on humanitarian work. These organizations are often driven by a mission to uplift vulnerable communities and advocate for justice.

Value of Faith-Based Organizations

Some corporations, in their efforts to fulfill Corporate Social Responsibility (CSR), may hesitate to partner with faith-based organizations (FBOs). They may question what value FBOs bring to such partnerships and fear that the funds will be used for proselytizing. This chapter provides evidence and examples to help corporations and donors understand the unique contributions of FBOs. It demonstrates the critical role a corporate partnership provides in advancing human, social, and ethical rights, as well as in building resilience in communities. Unlike for-profit entities or contractors, FBOs operate with a moral compass grounded in their mission to give back and do what is right. Their motivation is not driven by financial gain, but by a commitment to the welfare of the community. In partnerships, FBOs prioritize ethical actions and social impact, rather than profits. This is what distinguishes them from contractors who are primarily focused on monetary returns. FBOs bring a set of values that support long-term community well-being.

The Role of FBOs in Human Rights

FBOs play a critical role in advancing human rights and justice. They advocate for the protection of marginalized groups, raise awareness about human rights violations, and push for systemic change through education and policy reform. Many also collaborate with international bodies, such as the UN Human Rights Council (2024), to push for stronger protections and accountability.

Businesses can gain considerable value by partnering with these organizations beyond service delivery. FBOs bring vital expertise, credibility, and a shared commitment to human rights. By collaborating with organizations that are deeply embedded in the communities they serve, businesses can ensure that their CSR initiatives are not only effective but also responsive to the actual needs of those communities.

One such FBO is the Adventist Development and Relief Agency (ADRA), a leading global relief and development organization that works to combat poverty and promote justice through capacity building, advocacy, and education. ADRA's mission focuses on key areas such as health, education, food security, and poverty reduction—issues that are closely linked to human rights (ADRA International, 2024).

ADRA’s approach to humanitarian work is centered on empowering vulnerable communities and ensuring they live with dignity and respect for their fundamental rights. Through partnerships with corporations, ADRA has been able to extend its reach and maximize its impact, demonstrating how corporate collaboration can support transformative social change.

Case Study: ADRA's Partnerships

Better Water Solutions with Grundfos

A powerful example of a partnership in corporate social responsibility is ADRA's collaboration with Grundfos, a global leader in water technology. Grundfos, headquartered in Denmark, manufactures pumps and water systems designed to improve water efficiency across industries. Through this partnership, ADRA and Grundfos have provided clean water to over 1.5 million people in Asia, Africa, Central and South America, and the South Pacific over a five-year period.

This initiative leverages renewable energy and innovative water technologies to deliver sustainable and efficient water access. Instead of relying on traditional methods, the partnership has introduced solar-powered water pumps and automated water dispensers that allow users to access clean water via pre-charged cards, much like an ATM. These solar-powered kiosks not only provide essential water but also offer hygiene products and educational content, further empowering local communities. The project has created new opportunities for entrepreneurship, generating income for local kiosk owners and providing jobs in underserved rural areas that are increasingly urbanizing.

The first solar-powered water kiosks were installed in the aftermath of Hurricane Matthew in southwestern Haiti. Similar kiosks were deployed in Mozambique which had been severely hit by an El Niño-induced drought. Through this collaboration, ADRA and Grundfos have been able to reach some of the most vulnerable populations in the world, providing them with life-saving resources while fostering long-term economic development.

ADRA's Partnership with TOMS: The One for One Program

Another example of how corporate partnerships can address social issues is ADRA's collaboration with TOMS, a shoe company known for its One for One program. Through this initiative, every time a customer buys a pair of TOMS shoes, the company donates a pair to someone in need.

In 2013, ADRA distributed over 84,000 pairs of TOMS shoes to children in Rwanda, helping to protect them from parasitic infections like hookworm and tungiasis, which can be contracted through barefoot walking. In addition to improving health, the shoes also made it easier for children to attend school. Children without shoes were often unable to make the long walk to school, meaning they missed out on education—critical to breaking the cycle of poverty.

TOMS' One for One program is a global effort, with ADRA ensuring that shoes are delivered to communities in need, from Madagascar to Kyrgyzstan. This partnership highlights the powerful impact that businesses can have when they combine their resources with the expertise of NGOs to address urgent social challenges.

The Impact of Corporate Partnerships on Social Development

Corporate partnerships with ADRA go beyond simple financial contributions—they create shared value that benefits both the business and the community. These collaborations focus on improving health, education, sustainable livelihoods, and disaster response, thus helping to alleviate extreme poverty and promote wholistic social impact. By engaging in these collaborations, businesses not only fulfill their CSR obligations but also build stronger relationships with the communities they serve, enhance their brand image, and make a lasting impact on vulnerable populations.

Strengthening Corporate Social Responsibility: Advocacy and Policy Influence

According to *Forbes*, Corporate Social Responsibility (CSR) can be significantly enhanced through advocacy and policy influence (Hernandez-Blades, 2021). With their substantial resources and influence, corporations are uniquely positioned to advocate for policies that promote social, ethical, and human rights standards. This can include lobbying for stronger environmental protections, improved labor laws, and more comprehensive human rights regulations. By aligning their advocacy efforts with the needs of vulnerable communities, companies can help drive systemic change that benefits society as a whole.

Case Study: ADRA Thailand and Human Rights Advocacy

One illustrative example of corporate advocacy can be found in ADRA Thailand's collaboration with the Federation of Thai Industries (FTI) to support migrant workers' rights.

The Context: Migrant Workers in Thailand

Thailand hosts over 2 million migrant workers, many of whom come from neighboring Myanmar. Mae Sot, a district in Tak Province, is a key destination for these workers due to its proximity to the border and its role in a Special Economic Zone that draws workers seeking better economic opportunities. The area has over 300 manufacturing factories that employ a large number of migrants, many of whom face severe exploitation and human rights violations, such as unsafe working conditions, unpaid wages, confiscation of documents, and restrictions on movement. Gender discrimination, verbal abuse, and physical violence are also prevalent.

The situation is especially dire for undocumented workers who often lack awareness of their rights under Thai labor law. Women, in particular, are at a higher risk, facing additional threats such as gender-based violence (GBV) and limited access to reproductive health services.

ADRA's Advocacy for Migrant Rights

In response to these challenges, ADRA Thailand launched the Migrant Rights Advocacy Program in 2009, in partnership with ADRA UK. The program aimed to:

1. Increase private sector compliance with labor and human rights standards in and around Mae Sot.
2. Strengthen the capacity of local civil society organizations (CSOs) to advocate for migrant workers' labor and human rights.

This initiative involved close collaboration with local CSOs, the Thai Labour Protection Office (LPO), and the FTI. Key activities included legal consultations, human rights awareness campaigns, occupational safety training, and assistance with migrant registration. ADRA also worked to ensure workers were informed about their legal rights, including access to social security and fair compensation.

The Factory Model: Engaging the Private Sector

One of the most significant initiatives was the **Factory Model**, launched in 2016 in partnership with the LPO and FTI. This model aimed to help factories in Mae Sot comply with the Occupational Safety, Health, and Environment Act (2011), which sets strict workplace safety and labor rights standards. ADRA supported participating factories through training on labor laws, safety protocols, and gender equality.

Specific activities included:

1. Training workers and management on labor rights, workplace safety, and fire safety.
2. Promoting gender equality and preventing GBV in the workplace.
3. Conducting workplace inspections to assess safety and environmental conditions.
4. Helping factories develop gender-sensitive policies, such as inclusive dormitory rules and multilingual safety signage (including Burmese).

In addition to these efforts, ADRA organized monthly meetings and multi-stakeholder forums that brought together migrant workers, business leaders, and government officials to discuss critical issues such as workplace safety, social security, and the migrant registration process.

Empowering Both Businesses and Migrant Workers

These advocacy and capacity-building efforts led to significant improvements in workplace safety and labor rights compliance. Initially, many factories in Mae Sot resisted external scrutiny, but with ADRA’s support, many began to engage more openly with local authorities and civil society. This shift resulted in tangible benefits, including safer working conditions, increased awareness of workers' rights, and stronger relationships between businesses and local communities.

For instance, before ADRA's intervention, only male migrant workers were trained as safety officers. After ADRA's emphasis on gender inclusion, 44% of the safety officers trained were women. One factory even revised its job postings to say "all genders welcome" instead of the previous male-preference requirement. Additionally, safety policies and signage were translated into Burmese to ensure all workers, regardless of language, understood their rights and responsibilities.

Advocacy for Policy Change

The partnership between ADRA and FTI also included advocacy for broader policy changes to improve the conditions for migrant workers. A notable achievement was their successful push for the Thai government to issue special work permits for migrants from border regions. These permits are more affordable and less bureaucratic than standard work permits, reducing costs for both migrants and employers and improving workers' livelihoods.

Additionally, ADRA's advocacy efforts have helped reinforce compliance with the Occupational Safety, Health, and Environment Act, ensuring better protection for migrant workers and holding factories accountable for their environmental impact.

A Transformative Impact

The partnership between ADRA Thailand and the Federation of Thai Industries (FTI) highlights the transformative potential of corporate advocacy in promoting human rights and social justice. Through their collaboration, both organizations not only enhanced their operations but also contributed to significant societal changes that benefit marginalized communities, such as migrant workers in Thailand. By aligning their business strategies with a commitment to human rights and social responsibility, companies can help shape a more just, sustainable, and equitable world.

This partnership exemplifies how businesses can leverage advocacy to create positive change, benefiting not just their operations but also the broader community. By partnering with civil society organizations (CSOs) and governments, companies have the power to influence policy, improve labor standards, and safeguard vulnerable populations, generating social impact that reaches far beyond the workplace (Li & Hu, 2023).

Corporate advocacy, as demonstrated by ADRA Thailand and FTI, goes beyond traditional CSR. It involves using business influence to advocate for laws and policies that champion social justice, human rights, and sustainability. This kind of advocacy drives meaningful, long-lasting change—whether through policy reforms, better labor practices, or empowering vulnerable groups.

Through such partnerships, businesses can fulfill their social responsibility while making a profound and lasting impact on the world, demonstrating that corporate action can be a powerful force for social good (Salazar, 2022).

Through strategic partnerships like this, businesses can fulfill their social responsibility while creating a lasting and profound impact on society. These collaborations demonstrate that corporate action, when aligned with social good, can be a powerful force for positive change in the world.

Broader Impact of Advocacy Beyond Business Operations

Policy advocacy provides companies with the opportunity to address systemic issues and respond to broader societal challenges. With consumers increasingly holding businesses accountable for their social and environmental impact, companies that advocate for policies aligned with public interests—such as climate action, human rights, or anti-corruption laws—can enhance their reputation as responsible corporate citizens (Ashman, 2001).

In times of crisis—whether caused by climate disasters, human rights violations, or economic inequality—corporate advocacy for progressive policies can improve public perception and demonstrate that a company is part of the solution, not the problem. By proactively advocating for policy changes in response to societal challenges, businesses show they are committed to making a positive difference. Moreover, a report from the World Resources Institute found that investors, particularly those focused on Environmental, Social, and Governance (ESG) factors, are increasingly prioritizing companies that engage in policy advocacy aimed at benefiting both society and the environment (Gelfand, 2024). Corporate efforts to advocate for progressive policies can boost investor confidence and attract socially conscious investment, which is crucial for ensuring long-term business sustainability.

When corporations advocate for responsible policies—such as stricter labor standards or enhanced environmental protections—they help ensure that all industry players adhere to the same high standards. This creates a level playing field, where businesses that uphold responsible practices are not penalized for doing the right thing.

Corporate influence also plays a critical role in bridging the gap between public policy goals and private sector capabilities. Many of the most pressing policy challenges—such as climate change, healthcare reform, or social justice—require cooperation between governments, businesses, and civil society. Corporations that engage in policy discussions help ensure that public policies are not only effective but also feasible and impactful (World Resources Institute, 2024).

Conclusion: Advancing Rights Through Corporate Advocacy

These case studies demonstrate that corporations can be pivotal in advancing human rights, ethical and social justice. By partnering with organizations like ADRA and engaging with local communities beyond financial transactions, businesses can contribute to sustainable development and help protect the rights of vulnerable populations. These partnerships go beyond fulfilling CSR obligations; they align businesses with global human rights standards, making a positive impact on communities and strengthening long-term business sustainability. Through advocacy and policy influence, businesses can drive systemic change that promotes equity, dignity, and human rights for all.

In doing so, companies not only create value for their shareholders but also contribute to a more just and equitable world. The transformative impact of corporate partnerships, like those between ADRA and Grundfos, TOMS and FTI, illustrate the power of business to not only improve their own operations but also protect the rights of vulnerable populations worldwide.

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ETHICAL LEADERSHIP: EMBEDDING HUMAN RIGHTS PRINCIPLES IN CORPORATE CULTURE

Pako E. Mokgwane, PhD

Ethical leadership is vital in embedding human rights principles within corporate culture, ensuring businesses operate with integrity and accountability. This paper defines ethical leadership and explores the role of ethical leaders as advocates for human rights, balancing profit motives with moral obligations, and fostering inclusivity and stakeholder engagement. By prioritizing human dignity, companies can address social and ethical challenges while building sustainable practices. The research underscores the importance of ethical leadership in creating a global corporate culture that values human rights, encourages responsible decision-making, and drives positive societal change. By embedding human rights as a core value, businesses can contribute meaningfully to a more equitable and just world. Further research should focus on case studies of corporations that successfully integrate human rights into their operations, highlighting effective strategies and best practices and examining technology-driven solutions that provide a roadmap for enhancing adherence.

Keywords: Ethical Leadership, Human Rights, Corporate Culture, Overcoming Challenges, Societal Impact, Framework

Introduction

Inherent in human rights is the principle of upholding human dignity in pursuit of business transactions or managing corporate affairs (Chukwu et al., 2023). Fair labor practices must be upheld at all costs to facilitate employee working conditions that are safe and sustainable. This is why human rights conventions are held across the globe (Nair & Tyagi, 2021) to dissuade exploitative tendencies. Today's big question on ethical leadership is whether the purity of the moral fiber behind producing goods and services to uphold human rights is measured (Holden, 2016). It is crucial to foster ongoing exploration and dialogue to address the dynamic and ever-evolving nature of corporate governance, promoting responsible business practices and sustainable development in a rapidly changing global environment (Hossain, 2024). Therefore, embedding human rights principles into corporate culture through ethical leadership has become an urgent priority.

In addition to the intrinsic value of human dignity, businesses hold a moral and practical responsibility to uphold human rights because corporate citizenship companies are integral to society and should act as responsible members of the local and global community. The corporation's practical responsibility unearths the sustainability of operations. Exploiting workers, violating rights, or harming communities leads to societal instability, labor shortages, or reputational damage, undermining the business' long-term success. Furthermore, businesses are increasingly expected to contribute positively to society through ethical practices, environmental stewardship, and social development. The analysis of Jaén et al. (2020) corroborates the idea that responsible leadership that has an ethical foundation as its catalyst can be a solution for bringing all parties to the table. With ethical leaders at the helm of corporations, human rights may thrive.

Thus, ethical leadership is pivotal in embedding human rights principles into corporate culture, paving the way for sustainable, responsible business practices.

Understanding Ethical Leadership

Defining Ethical Leadership

Even though ethical leadership has attracted much attention (Banks et al., 2021), the subject is yet to be wholistically understood (Gorge et al., 2021). By definition, ethical leadership is "The demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making (Brown et al., 2005, p. 120)." This is perhaps the most widely used definition of ethical leadership. However, Kaptein (2019, p. 1135) adds a new component to the subject, "the moral entrepreneur who creates a new ethical norm."

The phrase refers to an individual who challenges existing societal values and introduces new ethical standards. A moral entrepreneur identifies behaviors or issues they believe are harmful or unjust and works to redefine what society considers morally acceptable. Through advocacy, influence, and persistence, they shift perceptions, often leading to adopting new norms or laws. These individuals are pivotal in driving social change, pushing communities to reflect on their values and evolve toward a more ethical framework. However, unethical behavior among leaders can hinder this progress, often arising from pressure to meet targets and prioritizing results over ethics. Additionally, a lack of accountability and a poor organizational culture can normalize unethical practices, further undermining integrity and preventing positive societal development. In this paper, the ethical leader, is critical for setting the pace of implementing human rights principles in the corporate culture.

Core Values

Several values shape the emergence of ethical leadership. According to Lim (2024), trust, integrity, empathy, justice, and charisma bring ethical leadership and principles from a GenZ lens. This lens is critical because GenZ is entering the workforce in large numbers (Aggarwal et al., 2022). **Trust** is the cornerstone of fostering confidence between leaders and their followers (Gunawan, 2024). **Integrity** ensures consistency between words and actions, building credibility (Colquitt & Baer, 2023). **Empathy** allows leaders to connect genuinely with the experiences of others, promoting inclusivity and understanding (Stallard, 2020). **Justice** reinforces fairness and equity in decision-making, ensuring leaders uphold principles under pressure (Scholl, Mederer, & Scholl, 2023). Finally, **charisma** uniquely motivates and unites individuals around shared goals and ethical visions (Men, Yue, & Liu, 2020). Together, these values create a framework for leadership that is not only effective but also principled, driving long-term positive change in organizations and communities.

Ethical Leadership as a Framework for Prioritizing Human Dignity and Rights

Ethical leadership provides a foundational framework for upholding and prioritizing human dignity and rights. Rooted in values such as trust, integrity, empathy, justice, and charisma, this approach emphasizes respect for the intrinsic worth of individuals in all decision-making processes. Ethical leaders recognize their influence and strive to create inclusive and equitable environments where human rights are protected and dignity is honored (Vijayakumar & Rajagopal, 2023). In the same vein, foster trust and transparency by integrating moral principles into their leadership practices, enabling sustainable and just outcomes. This framework not only enhances organizational effectiveness but also addresses broader societal challenges, advocating for systemic change that upholds the fundamental rights and dignity of all individuals.

The Case for Human Rights – Corporate Governance

The case for human rights is founded on the guiding principles of Business and Human Rights (Office of the High Commissioner for Human Rights, 2011). They are built on a three-pillar framework: Protect, Respect, and Remedy (PRR). First, states or countries must safeguard against human rights (Baum & Hai, 2020) abuses perpetrated by third parties, including businesses, through implementing policies, regulations, legislation, and effective enforcement mechanisms. Second, corporate enterprises hold an independent responsibility to respect human rights by ensuring their activities and business relationships do not harm individuals' human rights and by addressing any adverse impacts that may arise. Third, when individuals' human rights are violated, they must have access to effective remedies, with both states and businesses playing integral roles in facilitating such redress

(Sanders & Scanlon, 2021). Without this dual coalition, the case for human rights is futile. Equally important are evidence-based insights into areas such as social capacity building, process sequencing, and institutional design (Ruggie, 2020). To ensure the sustainability and impact of corporate and human rights agenda, scholarly discourse must deepen its understanding of how these dimensions intersect and can be effectively integrated.

The Legal and Compliance Perspective

Compliance with human rights laws is essential for corporate governance and ethical corporate practices. If leaders establish a dedicated legal department or invest in legal services, it can help corporations avoid penalties. However, the mere presence or access to legal resources is insufficient; adherence to standards set by regulatory bodies is critical for ensuring comprehensive compliance (Chambers & Vastardis, 2020). Such adherence minimizes the risk of litigation and civil suits, safeguarding corporate reputation and operational continuity (Verdier & Stephan, 2021).

Given the global nature of modern business, companies often engage with both national and international service providers. As such, a thorough understanding and appreciation of the legal frameworks governing these jurisdictions by the leadership is integral to the business process. A significant challenge arises from selective compliance, where corporations meet certain legal obligations while neglecting others. This practice undermines regulatory systems and invites sanctions (Antai et al., 2024). Non-compliance or selective compliance, therefore, carries significant legal and reputational risks (Moiseinko, 2024). Moreover, disparities in the economic power of nations exacerbate compliance issues. Corporations operating in economically weaker countries are often coerced into compliance, while more powerful nations and their corporations evade accountability. To address this imbalance, sanctions must be designed to be uniform and impartial, ensuring equitable enforcement across all jurisdictions (Eckes, 2023).

Reputation Management, Sustainability, and Profitability

According to Fatmawati and Fauzan (2021, p. 795), “Corporate reputation is the outcome of a company’s actions.” It means a company's reputation is shaped and determined by its behavior, decisions, and practices. These actions, such as how the company treats its employees, engages with customers, manages environmental and social responsibilities, and handles ethical challenges – collectively influence how stakeholders perceive the organization. A positive or negative reputation directly reflects the company’s conduct over time. Moreover, ethical resilience has the potential to position organizations as leaders in times of crisis. By demonstrating a principled approach that values cooperation, human rights, and ethical conduct, businesses can inspire others in the industry to follow suit. This collective commitment to ethical resilience creates a ripple effect that contributes to a more responsible and sustainable business ecosystem.

One way to manage the company's reputation is for leaders to practice what Wirba (2024) calls responsible sourcing. It helps manage a business' reputation by ensuring that products and services are free from unethical practices. Another way is to foster trust internally and externally (Kumari et al., 2021). Internal strategies include (but are not limited to) transparent communication, Fair treatment of employees, employee involvement, consistent leadership, and investing in employee development. External strategies include (but are not limited to) delivering on promises, ethical business practices, Corporate Social Responsibility (CSR), Transparency in operations, strong customer relations, and partnerships of integrity.

Respect for human rights forms the ethical foundation of corporate social responsibility (CSR), ensuring that businesses operate in a manner that upholds the dignity and rights of all individuals affected by their activities. Furthermore, CSR serves as a mechanism through which businesses can systematically implement and promote human rights principles, integrating them into their operations, policies, and supply chains. By doing so, companies mitigate risks associated with human rights violations and create opportunities for long-term value creation.

Research indicates that companies adopting CSR initiatives aligned with human rights principles achieve enhanced financial performance and long-term sustainability (Akafor & Adeleye, 2021). Such alignment fosters trust among stakeholders, including employees, customers, investors, and communities, strengthening brand loyalty and market competitiveness. Additionally, businesses that actively respect and champion human rights often establish themselves as industry leaders and influential providers of goods and services, gaining a reputation for integrity and social responsibility (Chukwu et al., 2023). This reputation attracts socially conscious consumers and positions the company as a preferred partner for investors and collaborators seeking ethical and sustainable ventures.

Embedding Human Rights in Corporate Culture

Embedding human rights in corporate culture requires a holistic approach that includes robust policy frameworks, strong leadership commitment, employee training, and effective accountability mechanisms. These elements ensure that human rights principles are integrated into business operations, shaping organizational practices, guiding decision-making, and fostering a culture of ethical responsibility and sustainability.

Policy Frameworks and Leadership Commitment

Embedding human rights in the corporate culture is a key leadership responsibility. A strong and positive organizational culture drives the organization toward sustained growth and future success (Choiriah & Sudibyo, 2020). As such, the culture of respecting human rights should be passed on from generation to generation, thus ensuring generativity (Mokgwane, 2022). After carefully identifying the best corporate culture practices, the same practices should be used to provide valuable insights and actionable guidance for policy development and implementation (Colomina et al., 2021).

The policy framework should be developed based on a thorough assessment of "potential adverse impacts on fundamental human rights and decent working conditions that the enterprise has either caused or contributed to or that are directly linked with the enterprise's operations, products or services via the supply chain or business partners (Krajewski et al., 2021, p. 554). Ruggie et al. (2021) posit that leading companies continually and intentionally distinguish themselves by integrating human rights due diligence processes into their strategic decision-making frameworks. Therefore, since leaders serve as the organization's cultural architects, their commitment to ethical leadership should be unparalleled, thus shaping the organization's moral compass and catalyzing the human rights agenda (Jerab & Mabrouk, 2023).

Employee Training

At the heart of organizational growth and sustainability is employee evaluation and performance. Responsible leaders ensure employee performance through adequate training and timely evaluations (Rodrigues, 2017; Gutterman, 2021). Without adequate training, employees may lack the capacity to contribute effectively to the organization's goals and risk engaging in malpractices that could harm human rights. Such actions undermine organizational objectives and jeopardize the company's reputation and commitment to ethical standards. Therefore, awareness-raising and training in human rights (World Health Organization, 2021) will keep the company in harmony with ethical standards. It is not enough to raise awareness and train employees; Establishing mechanisms to monitor and measure progress and implementing a robust structured system for reporting human rights activities and performance to stakeholders is equally critical (Gutterman, 2022). These practices enhance transparency, accountability, and stakeholder engagement, ensuring that human rights commitments are effectively integrated into organizational operations and strategies.

Accountability Mechanisms

The top leadership is pivotal in establishing the organizational tone for upholding human rights commitments (Gutterman, 2022). Without leaders' visible and consistent modeling of this commitment, employees will likely perceive the ethics agenda and human rights initiatives as secondary or insignificant, undermining their integration into the organizational culture and operations. Modeling involves creating, honoring, promoting, and evaluating human rights policies. However, a straightforward, transparent process in accountability governance is key. Ebert et al. (2021) argue that adequate accountability mechanisms encompass several key elements, including a policy commitment at the highest organizational level, awareness-raising initiatives, and the establishment of grievance mechanisms that allow employees and workers to voice concerns about practices they find objectionable freely.

To ensure that the mechanisms remain adaptable, practical, and aligned with the changing needs and expectations of stakeholders, "The management needs to continuously evaluate accountability mechanisms, based on robust stakeholder engagement, rather than doing a static one-time assessment" (Ebert et al., 2021, p. 10). Effective leaders develop robust metrics and accountability mechanisms to monitor organizational health (Jareb & Mabrouk, 2023). Through regular and systematic assessments, they can identify areas requiring improvement, evaluate progress against ethical standards, measure adherence to human rights policies, and ensure alignment with organizational objectives and strategic goals.

Overcoming Challenges

Internal Barriers

For ethical leaders to overcome challenges by embedding human rights principles in corporate culture, a socially responsible orientation (Mukhuty et al., 2022) can assist in dealing with internal barriers. A socially responsible orientation can effectively address internal corporate challenges associated with embedding human rights into corporate culture by creating a cohesive and supportive environment that prioritizes ethical values and shared accountability. Here are some socially responsible orientation strategies to help overcome internal barriers:

1. Establishing a Strong Ethical Foundation – Ethical leaders demonstrate a commitment to human rights through their actions and decisions, setting a clear ethical tone at the top (Chukwu et al., 2023). This creates a foundation for embedding human rights as a core organizational value and signals to employees that these principles are non-negotiable.
2. Overcoming Resistance to Change – Corporate cultures often face resistance when adopting new practices (Shuxratovna & Rakhmonova, 2024), including human rights initiatives. Ethical leaders will emphasize the importance of human rights in achieving the organization's long-term goals. By fostering open communication and providing clear rationales for these changes, leaders can reduce skepticism and encourage buy-in across all levels of the organization (Rahaman et al., 2021; Doze Jager et al., 2022).

3. Aligning Policies and Practices – Leaders with a socially responsible orientation ensure that corporate policies, systems, and practices are aligned with human rights principles. They proactively identify gaps, revise existing frameworks, and embed human rights considerations into recruitment, training, performance evaluation, and supply chain management processes (Olawale et al., 2024; Chukwu, 2023).
4. Building Trust and Psychological Safety – Internal challenges such as fear of retaliation or lack of trust in grievance mechanisms can deter employees from reporting human rights concerns (Groot, 2024). Ethical leaders foster a culture of psychological safety by promoting open communication, ensuring anonymity, and protecting whistleblowers, encouraging employees to speak up about violations without fear (Irfan et al., 2021; Potipiroon & Wongpreedee, 2021).
5. Bridging Silos within the Organization – Human rights initiatives often require collaboration across various departments. Ethical leaders with a socially responsible orientation break down silos by encouraging cross-functional teamwork (Mokgwane & Omobonike, 2020) and ensuring that all parts of the organization contribute to human rights efforts.

External Barriers

By leveraging their influence, fostering accountability, and promoting sustainable business practices, ethical leaders ensure that the organization aligns with global human rights principles and builds trust among external stakeholders. Ethical leaders who champion the following approaches effectively address external challenges, ensuring that the company not only adheres to human rights standards but also sets an example as a responsible and sustainable organization:

1. Ensuring Responsible Supply Chain Practices – Global supply chains often present human rights challenges, such as forced labor or poor working conditions (Sharma et al., 2022). Ethical leaders warrant the adoption of sustainable supply chain practices such as strict supplier codes of conduct, regular monitoring, capacity-building initiatives, and prioritizing working with suppliers with similar ethical commitments to uphold human rights throughout the supply chain (Kumar et al., 2021; Friedman & Ormiston, 2022).
2. Demonstrating Transparency and Accountability – Ethical leaders address external challenges by implementing robust reporting mechanisms, such as human rights impact assessments, sustainability reports, and accountability. These tools demonstrate transparency, build stakeholder trust, and showcase the organization's commitment ((Metcalf et al., 2021; Khanna et al., 2021) to embedding human rights.
3. Navigating Complex and Varying Regulatory Environments – Operating across jurisdictions with varying human rights regulations poses compliance challenges. Ethical leaders proactively ensure adherence to

both local and international laws, such as the UN Guiding Principles on Business and Human Rights, while preparing the organization to meet emerging regulatory requirements or trends (Mamasoliev, 2024; Bello et al., 2024)
4. Addressing Community Concerns and Gaining Trust – Ethical leaders ensure the organization actively listens to and addresses the concerns of local communities, particularly in regions where corporate activities may impact human rights (Keselman, 2021; Ajita et al., 2024). This builds trust, secures a social license to operate, and demonstrates the organization's commitment to societal well-being.
5. Promoting Industry Collaboration – Many external challenges, such as global supply chain risks, require collective action (Pless et al., 2021). Ethical leaders drive collaboration with industry peers, trade associations, and multi-stakeholder initiatives to establish shared human rights standards and best practices (Goswami & Agrawal, 2023; Dey et al., 2022). In this way, a moral business ecological climate will ensue.
6. Leveraging Global Standards and Combatting Power Imbalances in Global Operations – Ethical leaders address power imbalances in regions with weaker governance or economies by avoiding exploitative practices and investing in fair wages, safe working conditions, community development, and a 'humble solutions' approach. (Eyo-Udo et al., 2024; Böhm, 2022). This reinforces the company's ethical stance while contributing positively to local societies.

Conclusion

In conclusion, leadership is pivotal in safeguarding human rights within corporate settings. It is the cornerstone of a fair, inclusive, and responsible business environment where decisions are guided by integrity, accountability, and respect for human dignity. Ethical leaders serve as advocates for human rights, inspiring a vision that balances profit motives with moral obligations. They empower stakeholders by fostering inclusivity and shared ownership of human rights initiatives. Corporations and leaders are therefore called to action: prioritize human rights as a core value, embed them in corporate strategies, and champion them at every decision-making level.

They fulfill their ethical obligations and create sustainable value for their stakeholders and society. Organizations should approach human rights protection with a balanced perspective, recognizing that ethical interpretations may vary across industries and cultures. They can establish clear ethical frameworks that align with both legal obligations and their corporate values, ensuring that human rights commitments are upheld without compromising organizational integrity and identity. Looking forward, I envision a future where ethical leadership is the norm, not the exception – a world where businesses actively contribute to societal well-being and uphold human dignity. Together, we can build a global corporate culture that champions human rights and fosters a more equitable and just society.

Future research should explore case studies of corporations that have successfully integrated human rights into their practices, providing actionable insights and best practices. Additionally, examining innovative technological and strategic approaches can shed light on how businesses can enhance adherence to human rights in an evolving global landscape since digitalization has made the world a global village.

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HUMAN RIGHTS AS A DETERMINANT OF TOTAL RISK: EMERGING ISSUE OF FIRM VALUATION

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This paper examines human rights as a function of total risk, highlighting their connection to socio-economic and political trends. Risks functions of economic factors, political and regulatory risks, social and technological factors, mirror the pervasive impact of human rights issues on business environments. The study employs qualitative content analysis of literature and case studies reveal that human rights violations significantly influence stock price volatility, regulatory fines, legal costs, and reputational damage. Companies with poor human rights practices face higher market sensitivity and risk, while those with robust policies attract ethical investors and improve financial stability. The integration of human rights into ESG frameworks emphasizes their strategic importance. To manage these risks, companies should adopt comprehensive human rights policies, conduct due diligence, engage stakeholders, ensure transparent reporting, and integrate human rights into corporate governance. Collaboration with industry peers and NGOs and establishing monitoring systems are also recommended for continuous improvement and sustainability.

Keywords: Human Rights, Risk, Unsystematic, Systematic Risk, Total Risk, ESG, Corporate Governance

Introduction

This paper aims to explore the concept of human rights as a function of total risk that is a combination of systematic and or unsystematic risks, emphasizing that human rights issues are not isolated incidents but are interconnected with broader social, economic, and political trends. Systematic risks are those that affect the entire market or sector. Due to their pervasive nature, human rights issues can represent systematic risks with widespread implications. For example, geopolitical instability, migration crises, and climate change can exacerbate human rights risks, creating a volatile environment for businesses. Understanding and addressing human rights as a systematic risk is crucial for companies to ensure resilience and sustainability in the long term. Human rights, also as an unsystematic risk, refers to risks specific to a particular company or industry that can be mitigated through diversification. Examples of human rights issues that are unsystematic risk are labor rights violations, environmental violations, and discrimination lawsuits which can be controlled by the management.

In the contemporary corporate landscape, the interplay between human rights and financial performance has garnered significant attention. Historically, human rights issues were often seen as peripheral to the core business operations and financial performance of corporations. However, this perspective has shifted dramatically in recent years. Today, human rights issues are increasingly recognized as potential risks that can influence a company's valuation and its overall risk profile.

Historically, corporate focus was primarily on profitability, efficiency, and shareholder value, with human rights concerns relegated to philanthropic or public relations efforts (Radhakrishnan, et al., 2018). Corporate social responsibility (CSR) initiatives often addressed human rights issues superficially without integrating them into core business strategies. Companies operated under the assumption that human rights issues were separate from their financial and operational performance (Wettstein, et al., 2019). However, several high-profile cases and growing awareness have altered this perception. Incidents such as the Rana Plaza factory collapse in Bangladesh in 2013, where over 1,100 garment workers died, highlighted the severe consequences of neglecting human rights in supply chains (Rahman, 2018). Such tragedies have led to increased scrutiny from consumers, investors, and regulators, prompting businesses to reassess the integration of human rights into their core operations.

Stakeholder expectations have evolved, driven by a global push towards more ethical and sustainable business practices (De Bakker et al., 2019). Investors are increasingly incorporating environmental, social, and governance (ESG) criteria into their investment decisions. According to the Global Sustainable Investment Alliance, sustainable investment now accounts for a significant portion of professionally managed assets globally, indicating a shift towards prioritizing ethical considerations alongside financial returns (GSIA, 2020). Consumers, too, are more aware and concerned about the ethical implications of their purchases. A 2020 study by IBM found that 77% of consumers consider sustainability and ethical values important when choosing brands. This shift in consumer behavior forces companies to align their practices with societal values or risk losing market share (IBM, 2020).

The regulatory environment is becoming increasingly stringent concerning human rights. Laws such as the UK Modern Slavery Act, the California Transparency in Supply Chains Act, and the French Duty of Vigilance Law require companies to disclose their efforts in preventing human rights abuses within their operations and supply chains. Non-compliance can lead to legal penalties, sanctions, and significant reputational damage, further emphasizing the need for companies to integrate human rights considerations into their risk management frameworks (UK Government, 2015; California State Legislature, 2010; French National Assembly, 2017).

Wettstein et al. (2019) assert that human rights issues can directly impact a company's financial performance and risk profile. Companies that fail to address human rights risks may face operational disruptions, legal battles, and loss of consumer trust, all of which can negatively affect their bottom line (Macchi, 2020). Conversely, companies that proactively manage human rights risks can enhance their reputation, attract ethically conscious investors, and improve their operational resilience (Eccles et al., 2014). For example, companies with robust human rights policies often experience improved employee morale and productivity, as ethical practices can lead to a more engaged and loyal workforce. Moreover, addressing human rights issues can help mitigate risks associated with supply chain disruptions, labor strikes, and negative publicity (Anner, 2019).

The integration of human rights into ESG frameworks and reporting standards has further solidified their importance in corporate strategy. ESG criteria encompass a wide range of factors, including labor practices, community impact, and corporate governance, all of which are closely tied to human rights. Reporting frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) provide guidelines for companies to disclose their human rights performance, promoting transparency and accountability (GRI, 2021; SASB, 2021). Integrated reporting, which combines financial and non-financial performance into a single report, encourages companies to consider the broader impacts of their operations. This holistic approach helps investors and other stakeholders understand how human rights issues intersect with financial performance, leading to more informed decision-making (Songini, et al., 2022).

The growing emphasis on corporate social responsibility (CSR) and environmental, social, and governance (ESG) criteria has brought human rights to the forefront of corporate risk management (Crinis, 2019). Investors, regulators, and other stakeholders are now more aware of the ways in which human rights violations can affect a company's reputation, legal standing, and financial stability. Companies operating in sectors with high human rights risks, such as manufacturing, mining, and agriculture, face increased scrutiny and pressure to implement robust human rights policies and practices (Ford & Nolan, 2020).

Human rights violations can lead to significant financial repercussions for companies (Policzer, 2019). These can manifest as direct costs, such as fines and legal fees, or indirect costs, such as loss of consumer trust and brand value. For instance, high-profile cases of labor exploitation or environmental damage can trigger boycotts, protests, and negative media coverage, all of which can erode market share and investor confidence. Moreover, companies with poor human rights records may find it difficult to attract and retain top talent, further impacting their long-term performance and competitiveness.

Methodology

The paper employed a qualitative approach to provide a robust analysis of human rights as a function of risk, offering valuable insights and practical recommendations for businesses to enhance their resilience and sustainability. A comprehensive literature review with a content analysis design (Kyngäs et al., 2019) was conducted to gather existing knowledge on human rights as a risk. Sources included academic journals, industry reports, government publications, and case studies.

Results and Discussion

Human Rights as a Function of Systematic Risk

Systematic risk, also known as market risk or beta, refers to the inherent risk that affects the entire market or a large segment of the market (Sukrianingrum, & Manda, 2020). This type of risk is undiversifiable, meaning that it cannot be eliminated through diversification because it impacts all investments to some degree. Examples of systematic risks include economic factors, political and regulatory risk, social and technological factors (Westerfield et al., 2021). This paper takes the view that human rights are also a functional example of systematic risk.

Systematic Risk = f (Economic Factors, Political and Regulatory Risks, Social and Technological Factors, Human Rights)

Economic factors of systematic risk include inflation rates, interest rates, economic growth or recession, and overall economic stability. Political and regulatory risks refer to the uncertainties and potential changes in the political landscape and regulatory environment that can affect businesses. Social and technological factors refer to the changes in consumer preferences and behavior, changes in consumer preferences and behavior, and demographic Shifts. Human rights issues are widespread social unrest, and global supply chain disruptions due to forced labor in major manufacturing hubs.

Systematic Risk and the Capital Asset Pricing Model (CAPM)

The Capital Asset Pricing Model (CAPM) is a financial model developed by William F. Sharpe used to determine the expected return on an investment, given its systematic risk as measured by beta (β) (Sharpe, 1964). The CAPM formula is:

Expected Return=$Rf + \beta(Rm - Rf)$

where:

- Rf is the risk-free rate,
- Rm is the expected return of the market,
- β is the beta of the investment.

Beta in CAPM:

According to Sharpe (1964) the beta (β) measures the sensitivity of an investment's returns to the returns of the market. A beta greater than 1 indicates that the investment is more volatile than the market, while a beta less than 1 indicates that it is less volatile. Beta is a measure of a stock's volatility in relation to the overall market. It is a key component in the Capital Asset Pricing Model (CAPM), which describes the relationship between systematic risk and expected return for assets, particularly stocks.

Formula for Beta:

Beta is calculated using the following formula:

$$\beta i = \frac{Cov\ (Ri, Rm)}{Var\ (Rm)}$$

where:

- βi is the beta of the investment (stock),
- Cov (Ri, Rm) is the covariance between the return of the investment (Ri) and the return of the market (Rm),
- Var (Rm) is the variance of the market returns.

Explanation of the Formula:

1. **Covariance (Cov (Ri, Rm)):**
   - Covariance measures how two variables move together. In this context, it measures how the return of a specific stock and the return of the market move together.
   - A positive covariance indicates that the returns move in the same direction, while a negative covariance indicates they move in opposite directions.
2. **Variance (Var (Rm)):**
   - Variance measures the dispersion of market returns around the mean (average) return.
   - A higher variance indicates a higher level of market volatility.

Human rights issues are increasingly recognized as a significant factor contributing to systematic risk. Companies involved in human rights violations can face widespread repercussions that affect not only their own valuation and risk profile but also have broader implications for the market.

Human Rights as a Function of Unsystematic Risk

Unsystematic risk, also known as specific or idiosyncratic risk, can be quantified and reduced through diversification. The unsystematic risk equation is often derived as part of the total risk equation for a portfolio.

Total Risk Equation:

The total risk (σ^2Total) of a portfolio is the sum of systematic risk (σ^2Systematic) and unsystematic risk (σ^2Unsystematic): σ^2Total = σ^2Systematic + σ^2Unsystematic

To isolate unsystematic risk: σ^2Unsystematic = σ^2Total - σ^2Systematic

In this equation:

- σ^2Unsystematic represents the variance attributed to unsystematic risk, which is the portion of risk that can be eliminated through diversification.
- σ^2Total represents the overall variance of the portfolio's returns.
- σ^2Systematic represents the variance due to systematic risk, which is the portion of risk that affects the entire market and cannot be diversified away.

In the context of a regression equation, unsystematic risk refers to the portion of the variability in the dependent variable that is not explained by the independent variables in the model. This is also known as the residual variance or error term in the regression analysis. The unsystematic risk in this equation is represented by the residual term ϵ\epsilonϵ. This term captures the effects of all other factors that are not included in the model.

Regression Equation:

The general form of a simple linear regression equation is: $Y=\alpha+\beta X+\epsilon$

Where:

- Y is the dependent variable.
- X is the independent variable.
- α is the intercept of the regression line.
- β is the slope of the regression line (coefficient of the independent variable).
- ϵ is the error term or residual, representing unsystematic risk.

Unsystematic risk can be mitigated through proper diversification, meaning that by holding a well-diversified portfolio, the unsystematic risk can be reduced to near zero. This simply means that when human rights issues are specific to the firm, and it is something within the management control to mitigate the impact on the business, then this is an unsystematic risk.

Here are some ways human rights issues function as total risks:

1. *Increased Volatility and Human Rights Records*

Companies with poor human rights records may experience higher volatility in their stock prices due to various factors such as regulatory fines, legal costs, and reputational damage (Ciravegna & Nieri, 2021). These factors are unsystematic risk and can be managed by the firm.

Regulatory fines and legal costs are significant contributors to stock price volatility for companies with poor human rights practices (Flanagan, 2018). When regulatory bodies impose fines on companies for violating human rights, it directly affects their financial performance. For example, in 2015, the UK Modern Slavery Act came into force, requiring companies to disclose their efforts to combat slavery and human trafficking in their operations and supply chains (UK Government, 2015). Non-compliance with such regulations can result in substantial fines and legal fees, which can create unexpected financial burdens and lead to sharp declines in stock prices. These financial penalties highlight the company's exposure to legal risks, which can increase the perceived risk among investors, contributing to greater stock price volatility.

Reputational damage is another critical factor that can lead to increased stock price volatility (Pfister et al., 2019). Companies with poor human rights records often face negative media coverage, consumer boycotts, and social activism, which can tarnish their brand image. A notable example is the Rana Plaza factory collapse in 2013, where the poor labor conditions in the supply chains of major apparel brands led to global outrage and calls for boycotts (Comyns, & Franklin-Johnson, 2016). The resulting negative publicity can cause significant fluctuations in stock prices as investors react to the potential long-term impact on the company's market position and customer base.

The sensitivity of a company's stock to market movements is influenced by how investors perceive its risk profile (Parveen et al., 2020). Companies with poor human rights records are often viewed as higher risk due to the potential for ongoing regulatory scrutiny, legal challenges, and reputational issues. Eccles et al., (2014) found that companies with strong sustainability practices, including respect for human rights, tend to have lower volatility in their stock prices compared to those with poor practices. This is because investors see well-governed companies as more stable and less likely to face significant disruptions. Conversely, poor human rights practices can lead to a higher beta, indicating greater sensitivity to market fluctuations and investor sentiment (Eccles et al., 2014).

Several high-profile cases illustrate the impact of human rights issues on stock price volatility. For instance, Nike faced significant reputational damage in the late 1990s and early 2000s due to allegations of labor exploitation in its supply chain (Choi et al., 2022). The negative publicity and resulting consumer backlash led to significant fluctuations in Nike's stock price during that period.

Similarly, BP's stock experienced extreme volatility following the Deepwater Horizon oil spill in 2010, partly due to the environmental and human rights concerns raised by the disaster (Spar & La Mure, 2003).

2. Market-Wide Impacts of Human Rights Issues

Human rights issues, when prevalent within an industry or region, can significantly impact the entire market segment (Whyte, 2019). This can elevate the systematic risk (beta) for the entire industry, as evidenced by widespread labor violations in the garment industry, which often lead to increased regulation and consumer backlash, affecting all companies within that sector (Kumar, 2018). When human rights abuses become widespread within an industry, governments and regulatory bodies often respond by implementing stricter regulations. For example, the garment industry has faced significant scrutiny and regulatory changes following reports of labor violations in factories across countries like Bangladesh and Cambodia (Bartley, 2007). These regulatory changes can increase compliance costs for all companies within the industry, affecting their financial performance and stock prices. The increased regulatory environment can create uncertainty, which contributes to higher volatility and systematic risk for the entire sector (Vogel, 2007).

Consumer backlash is another critical factor that can elevate the systematic risk for an entire industry (Kumar, 2018). Consumers are becoming increasingly aware of the ethical implications of their purchasing decisions and are more likely to boycott brands associated with human rights abuses. The garment industry, for instance, has experienced significant consumer boycotts and negative publicity due to poor labor practices (Crinis, 2019). This backlash can lead to a decline in sales for multiple companies within the industry, further increasing market volatility and systematic risk.

Investors are increasingly incorporating ESG criteria into their investment decisions (Park, & Jang, 2021). Industries with widespread human rights issues are often viewed as higher risk, leading to divestment and reduced access to capital. For example, the fossil fuel industry has seen significant divestment due to environmental and human rights concerns (Richardson, (2019).

Widespread human rights issues can also lead to supply chain disruptions, affecting the entire industry (Kokabisaghi, 2018). For example, the electronics industry has faced challenges related to conflict minerals, leading to disruptions in the supply chain and increased operational risks (Böhm, Misoczky, & Moog, 2012). These disruptions can increase costs and reduce efficiency, contributing to higher systematic risk (Locke, Amengual, & Mangla, 2009).

The garment industry serves as a notable case study illustrating the market-wide impacts of human rights issues. Following the Rana Plaza collapse in 2013, there was a significant increase in regulatory scrutiny and consumer activism. The incident highlighted the poor labor conditions in garment factories, leading to calls for greater transparency and ethical practices across the industry (Rahman, 2018). The subsequent regulatory changes and consumer boycotts affected not only the companies directly involved but also their competitors, suppliers, and the broader market segment. This led to increased volatility and higher beta for the entire industry, as investors reassessed the risks associated with human rights practices.

3. Risk Perception and Human Rights Practices

Investors are increasingly incorporating environmental, social, and governance (ESG) criteria into their investment decisions, and human rights practices play a crucial role in this evaluation. Companies with strong human rights records are generally perceived as less risky investments. This perception is driven by the belief that such companies are less likely to face regulatory fines, legal challenges, and reputational damage, which can negatively impact their financial performance. Conversely, companies perceived as risky due to poor human rights practices may have a higher beta, reflecting greater sensitivity to market risks (GSIA, 2020).

Companies that uphold strong human rights standards are often seen as better managed and more forward-thinking (Robert, 2024). These companies are perceived to be more compliant with international norms and regulations, reducing the likelihood of facing costly legal issues or fines. For example, firms that proactively address labor rights, provide fair wages, and ensure safe working conditions tend to avoid the financial penalties and operational disruptions that come with regulatory violations (Eccles et al., 2014). This proactive approach can lead to a lower risk, as the company's stock is less volatile and more stable in response to market movements.

Investors view companies with strong human rights practices favorably, often considering them to be lower risk and more sustainable in the long term. Positive investor sentiment towards such companies can result in more stable stock prices and lower market volatility. For instance, companies that are recognized for their ethical practices and transparency often attract socially responsible investors who are committed to long-term investments (Clark et al., 2015). This stable investor base can contribute to a lower risk, indicating reduced sensitivity to market fluctuations.

A strong commitment to human rights can enhance a company's reputation, leading to increased customer loyalty and brand value (Kumari, et al., 2021). Companies with a good reputation are generally better positioned to withstand market pressures and economic downturns. For example, firms that are known for their ethical practices can build a loyal customer base that supports them even during challenging times (Sethi, et al., 2016). This reputational strength can translate into a more stable stock performance and lower risk.

On the other hand, companies with poor human rights records are perceived as higher risk (Policzer, 2019). These companies are more likely to face regulatory scrutiny, legal battles, and negative publicity, all of which can lead to significant financial losses. For instance, companies involved in human rights abuses may face boycotts, protests, and divestment campaigns, which can create substantial stock price volatility (Dimson et al., 2015). This increased volatility is reflected in a higher risk, indicating greater sensitivity to total risk.

The apparel industry provides a clear example of how human rights practices influence risk perception. Companies like Nike and H&M have faced significant backlash and stock price volatility due to poor labor practices in their supply chains. In contrast, companies that have taken steps to improve labor conditions and ensure fair wages, such as Patagonia, have enjoyed more stable stock performance and lower beta (Locke et al., 2007). This contrast illustrates how strong human rights practices can lead to lower perceived risk and reduced market sensitivity.

How Risk Factor of Human Rights Affects the Valuation of a Firm

Systematic risk function of human rights significantly impacts a firm's valuation through several mechanisms, including the discount rate, cost of capital, and expected cash flows.

1. Discount Rate or Cost of Capital:

The discount rate, used in discounted cash flow (DCF) valuation models, reflects the risk associated with a firm's future cash flows. An increase in the systematic risk factor of poor human rights raises the discount rate, thereby reducing the present value of future cash flows and the firm's overall valuation. The Capital Asset Pricing Model (CAPM) is commonly used to determine the appropriate discount rate, incorporating the firm's beta to account for its sensitivity to market risk.

Systematic risk factor of human rights affects a firm's cost of capital, which is the return required by investors to compensate for the risk of investing in the firm. A higher systematic risk factor of poor human rights increases the firm's cost of equity and debt, as investors demand higher returns to compensate for the increased risk. This higher cost of capital reduces the firm's valuation, as it implies lower net present value (NPV) of future projects and investments. In essence, companies with poor human rights practices tend to have lower valuations, while those that uphold strong human rights standards are more likely to maximize investor or shareholder wealth.

2. Expected Cash Flows:

Systematic risk factor of human rights can also impact the firm's expected cash flows. Poor human rights issues reduce consumer demand, increase operating costs, and disrupt supply chains. These factors can lower the firm's expected revenues and profitability, further reducing its valuation (Brealey, Myers, & Allen, 2017).

Conclusions and Recommendations for Firms to Ensure Human Rights

Conclusions

The integration of human rights considerations into corporate strategy is not only a moral imperative but also a critical component of risk management and financial stability. Human rights issues are increasingly recognized as factors contributing to systematic risk, which can influence a company's valuation and overall risk profile. Firms with poor human rights practices face higher volatility in their stock prices due to regulatory fines, legal costs, and reputational damage. This increased volatility is reflected in a higher beta, indicating greater sensitivity to market movements. Conversely, firms with strong human rights practices are perceived as less risky, leading to lower beta and reduced sensitivity to market fluctuations.

Human rights violations can lead to significant financial repercussions, including direct costs such as fines and legal fees, and indirect costs such as loss of consumer trust and brand value. High-profile cases of labor exploitation or environmental damage can trigger boycotts, protests, and negative media coverage, eroding market share and investor confidence. Moreover, companies with poor human rights records may struggle to attract and retain top talent, further impacting their long-term performance and competitiveness.

Recommendations

To effectively manage human rights risks and ensure sustainable business practices, firms should develop and implement comprehensive human rights policies that align with international standards such as the United Nations Guiding Principles on Business and Human Rights. Regular human rights due diligence, including impact assessments, is essential to identify, prevent, and mitigate adverse human rights impacts. This should involve active stakeholder engagement with workers, local communities, and human rights organizations to understand their concerns and expectations.

Transparent reporting mechanisms are crucial for disclosing human rights practices and performance. Utilizing frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) can promote transparency and accountability, helping stakeholders to make informed decisions (GRI, 2021; SASB, 2021). Additionally, providing training and capacity building for employees, suppliers, and partners on human rights issues and company policies can foster a culture of respect for human rights throughout the organization and its supply chain.

Engaging in open dialogue with stakeholders, including employees, customers, investors, and civil society organizations, can enhance the understanding and management of human rights issues. Integrating human rights considerations into corporate governance structures ensures that senior management and the board of directors are accountable for the company's human rights performance. Collaboration with industry peers, governments, and non-governmental organizations to promote human rights standards and advocate for stronger regulations and enforcement mechanisms can also contribute to broader societal benefits.

Firms should establish monitoring and evaluation systems to track the effectiveness of human rights policies and practices. These insights can be used to continuously improve and adapt strategies to address emerging risks. By adopting these recommendations, firms can enhance their resilience, protect their reputation, and ensure long-term sustainability. Proactively managing human rights risks not only mitigates potential financial impacts but also contributes to a more equitable and just global business environment.

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HOW THE BUSINESS AND HUMANITIES SCHISM SHAPES AI IMPLEMENTATION, ENTREPRENEURSHIP AND JUSTICE EXPERIENCES

David Axelrod, Arnaud Kurze, Ethne Swartz

This paper considers how competing worldviews, rooted in an underlying schism between business and humanities understanding of economics, increasingly shape AI advancements, their use, and the implications for the experiences of justice in society. The schism emerged during the mid-19th century as classical economics (originating around Adam Smith's *The Wealth of Nations*) developed into the utility-based, ahistorical Marginalist Revolution, which prioritized efficiency and quantitative models (now dominant in business and management education), and the dialectical-based, historical Marxist Revolution (underlying the assumptions of theorists in the Humanities and many social sciences). These reflect deeper ideological tensions: a focus on objective optimization and AI-driven decision-making versus a commitment to subjective autonomy and the preservation of human agency. We discuss "justice experiences", a wide range of events ranging from actions in the judicial/legal system to personal and social impressions of, and expressions for, what is just. While AI promises to reduce costs and accelerate resolutions across civil disputes, criminal cases, and broader social justice concerns, automation risks deepening economic and legal inequalities. Further, the issue of alienation from the production of justice suggests another bifurcation: those who have lower incomes and few assets might only be provided with AI-generated resolutions, with traditional lawyers and court proceedings available only to the wealthiest. Beyond supply, this may increase demand for justice experiences, potentially widening the gap between what justice people receive and what they believe they deserve, and lead to exacerbating, and not reducing, social justice issues.

Keywords: Justice Experiences, Economic Schism, AI Entrepreneurship, Social Justice

Introduction

This paper critically examines how the longstanding schism between business-oriented and humanities-oriented perspectives on economics has directly influenced the development and implementation of Artificial Intelligence (AI), particularly in the realm of justice experiences. By exploring the historical roots of this divide and tracing its impact on entrepreneurial worldviews, we argue that the tension between efficiency-driven and human-centered approaches to AI has profound implications for justice, equity, and human agency in society.

The structure of the paper is as follows: First, we explain the theoretical foundations of the two traditions that have influenced economic thought and management practices: the Marginalist and the Marxian traditions. Linked to this, we explore different entrepreneurial worldviews that have developed in the last 30 years, and how entrepreneurial founders of AI companies perceive different ways of creating and capturing value from the AI revolution. We connect these to current developments in AI and their relevance to justice experiences. We define justice experiences are and consider their different forms, including legal, personal and social/cultural. AI-driven efficiency gains carry the risk of a new form of alienation and experiences of inequality. We examine the ethical concerns that may arise if the implementation of AI is driven solely by a focus on efficiency and the optimization of technology and profits. Finally, we explore areas for further research.

Theoretical Foundations

Progress in the use of AI (and other technological advances) in the field of justice will require bringing together two seemingly divergent perspectives on economics: business oriented, and humanities or social sciences oriented. To do so it is useful to consider when they diverged, how they differ, and why it matters. This divergence is not a complete, separate siloing, as there are interdisciplinary efforts. Yet, the gap in perspectives is large enough to make it difficult for these approaches to constructively advance societal interests.

The historical schism between business and humanities perspectives is rooted in the emergence of two competing economic traditions—neoclassical (marginalist) economics and Marxist economics. Both traditions evolved from classical economic thought but diverged significantly in their treatment of economic history and dynamics. Neoclassical economics, also known as the Marginalist tradition, is characterized by its ahistorical focus on optimization and efficiency, emphasizing market equilibrium and profit maximization. In contrast, Marxist economics adopts a historical and dialectical approach, critically examining capitalism as an evolving system characterized by inherent contradictions, exploitation, and eventual crisis.

This fundamental difference—static optimization vs. dynamic contradiction—has profound implications for management practices and modern AI development, shaping both business strategies and social critiques of technologically evolving capitalism. We can visualize this schism as follows (fig. 1):

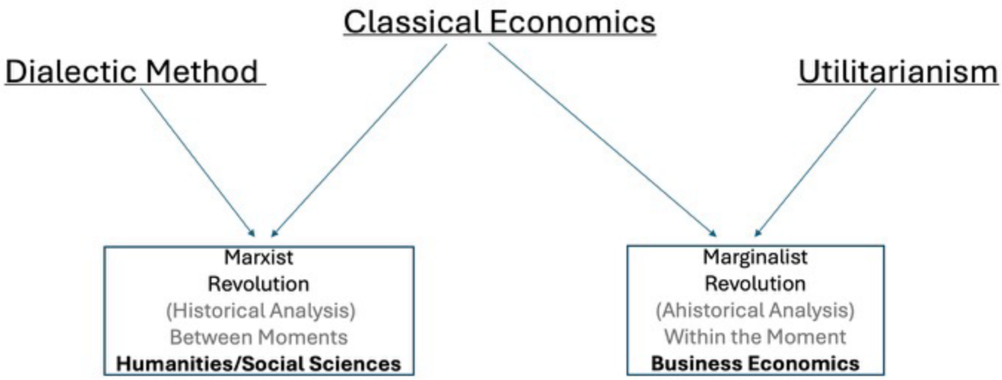

Fig. 1. Visualization of Marginalist-Marxist Schism

It is helpful to keep in mind that this divergence occurred at the **end** of the *classical economics* era around 1870. It had begun in earnest in the West with Adam Smith's "The Wealth of Nations" in 1776 and further developed by others such as Ricardo and Mills into the first half of the 19th century. It was based on the search for surplus value which occurred when the value of what was produced exceeded the value of what was required to produce it. While the development of technology and expansion of the physical production base (physical capital) was understood as critical, they also used a labor theory of value. This assumed the value of the goods produced were dependent on the amount of labor required to produce it, even if that also meant the labor required to produce the tools and manufacturing plant. It could also be interpreted as the amount of labor reduced by using that physical capital.

During the period when classical economics was prominent, two other related developments occurred. One was the rise of utilitarianism. Its proponent Jeremy Bentham, argued for a moral philosophy based on "the greatest happiness for the greatest number of people." It appealed to those with a quantitative comprehension of the world and the subjective nature of well-being. It also tends toward collapsing the temporal view to a point in time where such comparisons could be made meaningfully. The other development was Hegel's dialectic. While the dialectic process as a dialogue between people with opposing views goes back to ancient Greek philosophers, Hegel adapts this in a form such that explicating a limit, or negation, of an abstract idea can lead to synthesizing a more concrete conception. He goes further to describe it as a method toward understanding things in their own being as well as historical developments (Hegel, 1812) .

Humanities and many social science views of economics can trace their foundations to the works of Marx and Engels, and the very influential book "Das Kapital" (Marx, 1867). It provided a criticism of capitalism, with a compelling narrative using material dialecticism to describe the long historical arc over various economic systems. Important themes include exploitation and the alienation of workers from the value of what they produce, as well as the eventual collapse of capitalism as it reaches a late stage focusing on finance. The dialectical element is that the pursuit of profits eventually leads to the depletion of profit opportunities which would imply the end of economic production. They argue the collapse of capitalism generates the need to embrace a different economic system to sustain society. For many the Great Depression era was the moment of collapse, with its remnants propped up by aspects of socialism (such as the New Deal in the U.S. and the theories of Keynes (1936)). While there is much contention over Marx's economics, he does bring to the fore that productive activity can have harmful physical and psychological impacts on workers and that the relationship between worker, manager and owners impacts the well-being, and humanity, of individuals and society. Largely excluded from mainstream business education, Marxist critiques influenced critical management studies, labor movements, critiques of automation, corporate social responsibility, and stakeholder capitalism.

Business economics tends to focus on the behavior of markets, in particular prices and interest rates, with attention toward the impact on a business entity's profitability (or other measure of success). The 21st century cannon has foundations based on the "Marginalist Revolution" in the late 19th century, led by William Jevons (1871), Carl Menger (1871), and Léon Walras (1874). It is also known as *neoclassical economics* and shifted from classical economics' labor value theories to individual utility maximization. In essence, the change is from understanding value generated by the amount of time and effort of productive work (cost-of-supply), toward value of the product being subjectively perceived by the consumers (willingness and ability to pay). Influenced by utilitarianism, marginalists viewed economic decisions as isolated, optimizing processes, assuming (often tacitly) stable political, technological and cultural environments. These could provide a formal, mathematical approach to profit and utility maximization. Since the approach centers on the success of businesses, it has been criticized as lacking respect for the value of being human.

In its simplest form, the decision maker considers whether to buy (or sell) one more unit (the marginal quantity). If the change in benefit (the marginal benefit) exceeds the change in cost (the marginal cost) then the extra unit is included in the solution, otherwise not. From a for-profit business perspective, the benefit is measured in revenue, since Profit = Revenue – Cost. Thus, the marginal profit equals marginal revenue (MR) less marginal cost (MC). Only when MR is greater than MC would the firm choose to produce more. It is very important to note that the amount of production is assumed within the same chronological moment of production. That moment could be a day, a week, a month, even a year. Thus, while it might require more labor time to produce the greater quantity, it is understood as having more labor within that moment, in contrast to having more time for the laborers to finish their work. What can be produced by a thousand people working together for one week is very different from one person working for a thousand weeks. We will return to this critical distinction later. This approach could be used in both scientific (predictive) models and managerial (prescriptive) decision making. The ahistorical features are also seen in market equilibrium analysis where markets move toward balancing supply and demand via the price mechanism, within a specific market period, as well understanding crises as exogenous shocks rather than inevitable consequences.

Neoclassical economics developed alongside important practical advances in science and engineering. Consider the similarity between Boltzman's conception of entropy based on the permutation of molecular states, and Marshall's description of human effort toward "… arrangement of matter to adapt it better for the satisfaction of wants…" (Marshal, p.63) It should be no surprise that since Shannon's information definition of entropy (Shannon, 1948), the world is now conceived as an arrangement of information, and that business and marketing are enamored with AI, and large datasets, for the satisfaction of objectives through optimization algorithms. This decontextualized approach allowed neoclassical economics to dominate business and management education, where efficiency, cost-benefit analysis, and profit maximization often define corporate strategy.

There are two threads we can weave to bring the divergence in economic thought together. The first thread, profit maximization occurring within the **moment** (e.g., day, week, quarter), is focused on the optimal quantity to produce – and avoiding producing more than that. Related to this is the distinction between short-run and long-run decision making, which is used to explain the conditions under which producing at a loss is still consistent with profit maximization (in this case loss minimization). However, the second thread arises in the context of time as a **path**, especially through historical analysis and sociological change. The same insight, that the profit motive limits how much is produced, is interpreted by Marx as capitalism eventually exhausting all opportunities to make profit (what he refers to as the internal contradiction of capitalism), leading to the end of its ability to guide economic production. Hence, the frequent referencing of late-stage capitalism in the humanities and social sciences. One implication is that technological advances that change how we make decisions impact the sustainability of the worldview underlying those advances. AI is such a technology. To paraphrase from above, being able to make a million decisions within a second is very different from having a million seconds to make one decision.

The contrast between time horizons is part of the schism. This is also found in the role of discounting the future and its relationship to the interest rate. For profit maximization to work, it must be able to calculate a finite number, and this almost always requires ignoring deep time in its analysis (Axelrod, 2017). However, as has become clear in the more recent developments in behavioral economics, whether one uses profit maximization or some other means of decision making, humans can't avoid ignoring most of the consequences of the choices they face. We often focus on only a few feasible alternatives (Simon, 1955). If one is running an enterprise, even if there is a preference for the well-being of employees and other stakeholders, as that enterprise grows the capacity to maintain regard for them is exceeded. This leads to either ignoring individuals and/or focusing on statistical measures of population well-being. This also applies to growing political entities. Ironically, the alienation of the worker from the value of their production would be replaced by their alienation from the measure of their social value.

The above hints at another limitation of Marx's dialectic - in the process of transforming economic production toward socialism, profit opportunities would be regenerated. Instead of a linear movement through phases of development, a cycling between capitalism and socialism could occur (fig. 2).

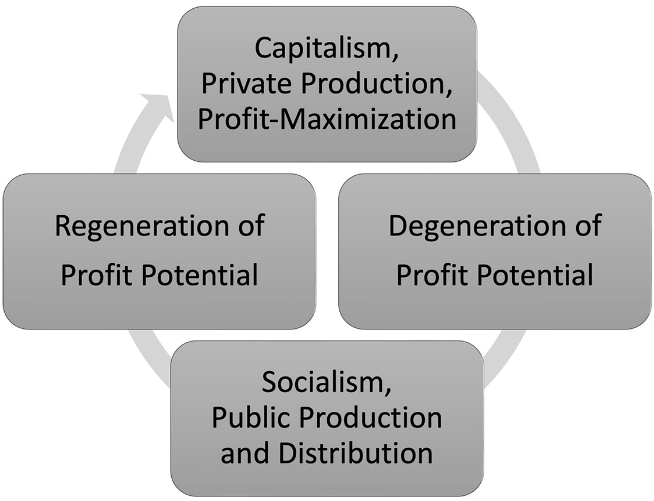

Fig. 2. Cyclical Dialectic of Capitalism and Socialism

One consideration is that advances in methods to produce experiences can lead to similar cycling. AI can be used for both increasing supply AND demand. Proponents for AI often focus on the supply chain, touting its increased efficiency and reduction of production costs. However, it is also a tool to increase demand, which can be seen in algorithms to push ads customized to the moment. In the case of social media, it starts like the public provisioning (no or low priced) of interactions between people, but in this process the accumulation of information generates the revenue potential from selling ads and eventually selling the data. People developing heightened expectations of what they should experience leads to the greater demand for those experiences, which supports higher profitability. Yet, if those expectations grow faster than what is received, the overall sense of well-being could fall due to a greater distance from the ideal. This cycling potentiates greater concentrations of wealth and political power, and a faster consumption of natural and human resources that challenge long-term stability and social cohesion.

This leads to an important distinction: the practical versus utopian approach toward a best solution. A business-like approach starts from what is feasible, the facts on the ground and in the moment: who owns what, where are the revenue flows, what capital and labor is available now? The practical focus comes at the cost of ignoring larger cultural and political trends, and whether current behavior is even "acceptable." In essence, it is what Mullainathan and Shafir (2013) referred to as *tunneling* in decision-making. In contrast, a humanities-based approach often conjectures on what the ideal should be, independent of what is feasible. Consider Marx's take, "A spider conducts operations that resemble those of a weaver, and a bee puts to shame many an architect in the construction of her cells. But what distinguishes the worst architect from the best of the bees is this, that the architect raises his structure in imagination before he erects it in reality." (Marx, 1961, p.178) In terms of Justice Theory, Rawls has been influential with the use of the *Original Position* behind a veil of ignorance to the facts of what is currently true. It requires us to imagine a world where we do not know what we do. These devices allow us to imagine the loftiest of principles and ideals, and our imaginings are part of our experience of well-being and justice.

The benefit from healing this schism becomes clearer. From a neoclassical economics perspective, if a utility function includes both tangible and imagined "goods" then when the price (monetary or psychosocial) increases for tangible goods, a person would substitute into imagined goods, and vice versa. Yet, over time the accumulation of the memories of experiences can change the perceived value of an extra unit of tangible relative to the imagined. For example, family traditions, such as getting together every Thanksgiving, create deeper meaning (the imagined good) with their repetitions. Further, the present moment we experience becomes the marginal unit of history. Like a tree's outermost ring, the inner rings are the tangible memories it grows from, even as we imagine the space to grow outward.

Entrepreneurial Worldviews Driving AI Implementation

In the previous section, we argued that a purely efficiency-driven, profit-maximizing approach to AI implementation risks deepening alienation and inequality. We now turn to the worldviews of entrepreneurs—key figures shaping AI's development and its broader societal impact.

Recent academic research has begun to explore the societal consequences of AI innovations (Brynjolfsson & Unger, 2023). Hagtvedt et al. (2025) discuss how individuals involved in creating AI systems or features incorporated into such technology oscillate between what they term "bright imaginings" and "dark imaginings" when envisioning AI's potential. Bright imaginings emphasize groundbreaking advancements, transformative efficiencies, and the promise of AI-driven progress. In contrast, dark imaginings foreground risks such as ethical dilemmas, unintended consequences, and the exacerbation of societal inequities. Ultimately, AI designers settle on one of these perspectives—or a negotiated balance between them—shaping their approach to implementation.

This tension is also reflected in the perspectives of leading AI figures. Pioneers such as Demis Hassabis and Dario Amodei have publicly stressed the importance of AI's responsible use, recognizing the profound risks involved (Financial Times, January 26, 2025). However, while there is broad consensus on the need for risk management, there remains considerable divergence on how best to achieve it. Entrepreneurs, by definition, engage in calculated risk-taking as they develop what they perceive to be valuable (Sarasvathy, 2025). Their differing worldviews and decision-making processes ultimately determine whether AI's trajectory prioritizes efficiency, social responsibility, or a balance.

We adopt a broad definition of the "entrepreneur" and this could be any person who has a vision, ideates a clear business idea and turns it into a service or product in a marketplace. Such an individual assumes risks associated with the process. These are the "doers" in society who participate in "a process by which individuals-either on their own or inside organizations-pursue opportunities without regard to the resources they currently control" (Stevenson and Jarillo, 1990, p. 23).

The historical schism between marginalist and Marxian economic traditions, outlined earlier, fundamentally shapes how entrepreneurs develop and commercialize technologies, including AI. This divide is not just theoretical but manifests in the competing entrepreneurial worldviews that drive AI implementation and evidenced by the battles between those developing proprietary technologies. For instance, consider the fight for control over the legal form best suited to OpenAI in 2024 (FT.com, 2026). On one side, an efficiency-driven, optimization-focused approach aligns with the marginalist tradition, prioritizing market scalability and predictive decision-making. On the other side we have social, institutional, and political entrepreneurship perspectives—rooted in critical and historical approaches to economics— that challenge the technocratic dominance of AI, advocating for justice, equity, and human-centered applications. Understanding these entrepreneurial worldviews is critical for assessing how AI will impact society by either reinforcing economic and legal disparities and/or providing pathways for more equitable systems. We distinguish four primary entrepreneurial perspectives that shape how entrepreneurs approach AI's role in justice and society.

First, there is the classical and Austrian School perspective. Foundational theorists framed entrepreneurship as a force for economic transformation, where innovation disrupts existing structures to create new value. Originating from economic thought and a reaction to classical economics that largely stayed silent on the role of the entrepreneur (notably Adam Smith's idea of self-interest driving markets), Austrian economics placed this person at the forefront of developing new businesses and markets. The idea of agency is central to Joseph Schumpeter's concept of the entrepreneur as driving "creative destruction" and our modern conception of an entrepreneur as "action oriented." The Schumpeterian entrepreneur is critical to transition in terms of states of economic change from the old to the new, and acknowledged as overlooked in neoclassical economics (Janeway, 2012). Economic transitions are powered by one of three vectors. First, economies move from equilibrium to economic growth through growth of the population and the "apparatus of produced means of production." notably, technological advancement and knowledge creation. Second, events that are external to the economy such as environmental change, social and political changes can power economic growth. The third and final vector is the individual who recognizes new opportunities and takes a leadership role that extends beyond the familiar (Kirzner, 1973). Economic growth and innovation require this agency and creativity of the entrepreneur or intrapreneur.

Many have built upon these foundational ideas by further developing theory regarding the dynamic nature of capitalism (Kirchhoff, 1994) in which births and deaths of companies provide the "churn" that fuels innovation and change. Amidst such change entrepreneurs develop the capabilities to sense, seize and develop ideas that become the new firms (Baumol, 2010). Relatedly, David Teece's work on the development of entrepreneurial and management competencies constitutes an important contribution to our knowledge of entrepreneurial agency (Teece, 2022; Teece, 2012) that enable them to develop dynamic capabilities. Moreover, scholars have also theorized how the entrepreneur fits into an ecosystem(s) (Wurth et al., 2021) in modern economies (Malerba and McKelvey, 2018). The debate moves beyond an ideal-type entrepreneur and more adequately enables us to understand the nature of collaboration in modern societies (Guerrero and Siegel, 2024) so that the entrepreneur is placed in a particular context (Holcombe, 2003). In our modern economy, they become agents of entrepreneurial innovation (Teece, 2022; Autio et al., 2014) in an ecosystem situated across multiple level processes, agents, and in different contexts.

Second, there is an efficiency-driven, market-oriented entrepreneurial worldview, rooted in the Marginalist tradition and mainstream economics that dominates business education and AI-driven decision-making. Its underlying assumptions emphasize utility maximization such that entrepreneurs are "rational" actors who are optimizing resources (in our case, AI) for maximum efficiency. In this view, scalability of a company and growth equals rapid expansion, and examples abound of this worldview in technology entrepreneurship. The final assumption is that decision making should be "data driven," leading to technocratic solutions measured by successful automation, and efficiency metrics. This worldview aligns with the approaches adopted by venture capital-funded start-ups, platform economies, and AI-driven business models.

A third perspective is one developed by scholars from sociology and institutional theory who have contributed to research that shows entrepreneurial actions and worldviews are embedded in social structures, geographical contexts and institutions (Teasdale et al., 2023). These entrepreneurs are often driven by specific values (Zahra et al., 2009) that address inequality, and structural or system-based issues related to sustainability or justice. This view highlights cultural and institutional contexts of entrepreneurship rather than focus purely on efficiencies to be achieved by technologies such as AI. An important assumption also is that AI can have divergent effects by either empowering marginalized groups or reinforcing structural inequities. The design and use of the technology rather than the technology itself is seen as the deciding factor.

Our fourth entrepreneurial worldview envisions the entrepreneur as a political change agent. This worldview, influenced by critical entrepreneurship studies, challenges dominant economic narratives by framing entrepreneurship as a political act. It emphasizes how entrepreneurship can reinforce or disrupt power structures, particularly in AI governance. It proposes alternatives such as commons-based and cooperative models that decry traditional capitalist assumptions. In this view AI is seen as a battleground where entrepreneurial agency either helps or subverts social justice goals.

In sum, these four entrepreneurial worldviews currently jostle for dominance in how AI is developed and applied, with varying implications for societal impact. Understanding these tensions is crucial for evaluating AI's role in shaping "just" experiences.

AI and Justice: Conceptualizing Justice Experiences

As AI transforms the processes and activities that entrepreneurs identify as areas for new "imaginings" (Hagtvedt et al. (2025), we ask to what extent will the specific worldview of the owners of AI companies push the commercialization towards either the bright or dark side of the spectrum? The resultant outcome (bright or dark) is a key connection with how an individual experiences justice. Here we turn to Pine & Gilmore's The Experience Economy (1999) which presents a framework for understanding experiences as another type of economic product with increased value. While they focused on Disneyland attractions and shows, the experience concept applies to almost any event built upon goods and services.

This leads us to consider "justice experiences," encompassing events such as trials, arbitrations, and civil disputes, as well as personal and social perceptions of fairness, trust, and access to rights. Justice experiences shape individuals' and communities' interactions with institutions, influencing their sense of inclusion, agency, and security.

However, experiences consist of both impressions (the receptive, internalization of events, such as senses, feelings, and thoughts) and expressions (the active, externalizing aspects such as actions, emotions, and speech). To those familiar with yogic philosophy (Taimini, 1961), this distinction between impressions and expressions is like that of jnanendriyas (cognitive senses) and karmendriyas (active senses) as described by Mishra (1997). For example, justice experiences may manifest as feeling unjustly treated or expressing outrage through protest. These experiences shape community anxieties, the distribution of privilege (if only some have access to those experiences), and perceptions of fairness.

Technology, particularly artificial intelligence (AI), is increasingly shaping these justice experiences by automating legal services, expanding access to legal information, and detecting systemic disparities. AI-driven tools — such as predictive policing, risk assessments, and AI-based legal assistance—promise to enhance efficiency and accessibility in justice systems. However, these advancements also bring new ethical and procedural challenges. As AI assumes a greater role in legal decision-making and social justice initiatives, it raises pressing concerns about algorithmic bias, the erosion of human agency, and the potential alienation of marginalized communities. This can be seen as advances in AI accelerates a substitution out of human-human relationships and towards to human-AI relationships, especially among younger generations (Wang & Toscano, 2024). Moreover, the shift from direct human interaction to AI mediation in justice raises questions of fairness and public trust. Below, we explore the different dimensions of justice experiences and the transformative impact of AI, assessing its benefits while critically examining the risks of inequality, bias, and the dehumanization of justice.

Justice Experiences and Their Forms

Recent research explores the growing impact of artificial intelligence (AI) on justice systems, highlighting both opportunities and challenges and examines AI's influence on justice systems. AI applications in legal settings include programs such as predictive policing, risk assessment, evidence analysis, and decision support (Vargas-Murillo et al., 2024; Situmeang et al., 2024). These technologies can improve efficiency, accuracy, and fairness in legal proceedings (Biryukov, 2019; Krykun et al., 2024). However, concerns arise regarding biases, ethical dilemmas, and threats to privacy and civil liberties (Rafanelli, 2022; Mohamed, 2024). Studies indicate that people perceive AI-based interviewing as lacking the procedural, and interactional, feel of traditional human-based methods (Acikgoz et al., 2020). To address these issues, researchers emphasize the need to call for interdisciplinary collaboration, comprehensive regulatory frameworks, and ethical safeguards to ensure responsible AI adoption in justice systems (Vargas-Murillo et al., 2024; Rafanelli, 2022; Mohamed, 2024).

Justice is a multi-dimensional concept, experienced in diverse contexts that range from formal legal settings to personal interactions and broader social structures. It can be categorized into three primary forms: legal justice, which is rooted in judicial processes and legal rights; personal justice, which is experienced through individual interactions with legal and administrative institutions; and social justice, which encompasses collective perceptions of fairness, equality, and access to rights across society. This framework helps clarify how justice is not a static ideal, but a dynamic experience shaped by social, economic, and technological factors.

Legal Justice Experiences

Legal justice encompasses judicial mechanisms ensuring due process and fair treatment. Traditionally, human decision-making has dominated legal systems, but AI integration is transforming various aspects of legal practice. AI is employed in predictive policing, risk assessments for sentencing, and judicial decision support systems, improving efficiency and consistency in legal proceedings (Vargas-Murillo et al., 2024; Situmeang et al., 2024; Lau, 2020). AI-powered legal research tools enhance case analysis, reducing workload and expediting decision-making. However, AI's role in legal contexts raises concerns about systemic biases. Algorithms trained on historical legal data (so-called "dirty data") risk perpetuating racial, gender, and socioeconomic disparities, reinforcing rather than mitigating injustice (Richardson et al., 2019). Moreover, reliance on AI-generated recommendations may erode judicial discretion, diminishing the human element in justice.

Personal Justice Experiences

On an individual level, justice is deeply intertwined with one's personal interactions with legal and administrative bodies. This might include encounters with law enforcement, court experiences, or bureaucratic procedures such as applying for asylum, seeking employment protections, or contesting fines. like asylum applications, labor protections, or contesting fines.

AI has increasingly been introduced into these personal justice interactions, particularly in processes such as automated legal assistance, AI-driven interviews, and algorithmic decision-making in administrative procedures. AI systems now mediate personal justice through automated legal aid, AI interviews, and algorithmic decisions. However, studies suggest that people tend to perceive AI-driven interactions as less fair than human-led processes. see AI-driven interactions as less fair. Research on AI-based interviewing has shown that individuals often feel less heard and understood compared to when they interact with human officials because the process feels disconnected compared to human-led interviews (Acikgoz et al., 2020). This perception of reduced procedural justice can lead to increased skepticism and resistance toward AI-driven legal mechanisms, even if the outcomes themselves are objectively fairer. These perceptions can foster skepticism toward AI justice, despite its assumed procedural fairness.

Social Justice Experiences

Beyond individual encounters, justice also operates at a societal level, shaping how communities experience fairness and equity. Social justice focuses on the broader structures that determine access to rights, opportunities, and protections, particularly for marginalized groups. examines systemic barriers to rights, opportunities, and protections, particularly for marginalized groups.

AI is increasingly used to detect discrimination patterns, monitor human rights violations, and provide new tools for social justice advocacy, track discrimination, monitor rights violations, and support advocacy (Mohamed, 2024). For example, AI-driven analytics can help identify or reveal racial disparities in sentencing, expose patterns of and track police misconduct, or highlight detect biases in hiring. Yet, while AI has the potential to serve as a powerful tool for social justice, it can also contribute to alienation if not implemented carefully. If poorly implemented, AI risks alienating marginalized communities. Automated decision-making systems, often developed without sufficient input from affected communities, or in isolation from affected groups, may fail to account for their lived experiences. Additionally, AI-driven surveillance and law enforcement technologies have raised significant concerns about privacy violations and the disproportionate targeting of certain communities raise concerns about privacy violations and biased policing (Biryukov, 2019). If left unchecked, these AI systems could exacerbate rather than alleviate social inequalities. Without oversight, AI could deepen, not reduce, social inequities.

Ethical and Procedural Challenges of AI in Justice

As AI is integrated into the systems that form part of our justice systems, researchers have raised a number of ethical dilemmas. How the companies creating the AI tools manage these will vary. First, there is the issue of algorithmic bias which occurs when AI models are trained on biased historical data, which risks replicating and reinforcing systemic inequalities (Rafanelli, 2022). Another consideration is how transparent and accountable the systems are. Krykun et al. (2024) content that AI decision-making processes often lack transparency, making it difficult to contest unfair outcomes. Excessive reliance on AI in judicial decision-making may undermine human judgment and reduce opportunities for case-specific discretion (Situmeang et al., 2024). AI-driven surveillance and predictive policing disproportionately impact marginalized communities, raising civil liberties concerns (Biryukov, 2019) and concerns about privacy violations.

Addressing these challenges requires interdisciplinary collaboration, comprehensive regulatory frameworks, and ethical safeguards to ensure responsible AI adoption. Of course, despite ethical concerns, AI does enhance efficiency in several ways. First, the use of AI-based tools can accelerate traditionally slow legal processes. Many court systems face overwhelming case backlogs, delaying justice and increasing costs. AI-driven automation streamlines case processing by handling routine administrative tasks such as document analysis, contract drafting, and evidence management, allowing legal professionals to focus on complex cases (Vargas-Murillo et al., 2024). Furthermore, AI tools can improve consistency and accuracy in legal decisions. It is well understood that human biases and inconsistencies in judicial decision-making present challenges. AI-driven risk assessment tools promote uniform sentencing decisions based on statistical models rather than subjective human interpretation, reducing disparities in legal outcomes (Biryukov, 2019). Additionally, AI-powered forensic analysis assists in detecting errors and inconsistencies, helping prevent wrongful convictions (Mohamed, 2024). While AI's ability to optimize legal and social justice processes is undeniable, its integration must be approached with caution to balance efficiency with fairness, accountability, and human-centered justice principles.

AI Applications in Legal and Social Justice Settings

Artificial intelligence is playing an increasingly prominent role in both reshaping legal and social justice environments, transforming how cases are processed, how decisions are made, and how justice is accessed. case processing, decision-making, and access to justice. While AI-driven innovations hold the promise of offering greater efficiency, transparency, and fairness, they also introduce new risks related to concerns over bias, privacy, and human autonomy.

AI in Legal Justice

In the legal domain, AI is being used in various applications aimed at streamlining judicial processes and improving decision-making accuracy. The integration of AI in the legal and administrative justice systems offers significant benefits but also raises important challenges. AI can enhance efficiency, reduce backlogs, and improve consistency in judicial decisions (Nouri et al., 2024; Orlando et al., 2024). However, its use raises concerns about accountability, transparency, fairness, and the potential dehumanization of justice (Nouri et al., 2024; Appel & Coglianese, 2021). AI is reshaping relationships between law firms, lawyers, and clients, introducing new professionals and altering traditional legal practices (Kluttz & Mulligan, 2019; Armour & Sako, 2020).

One application of AI in use is predictive policing, where AI algorithms analyze crime data to predict high-risk areas where crimes are more likely to occur. While some studies report improved accuracy in crime prediction (Patil et al., 2019), concerns persist regarding potential biases, privacy issues, and the impact on police-community relations (Ferguson, 2016; Benbouzid, 2019). While this can help allocate police resources more effectively, critics argue that such systems disproportionately target minority communities based on historically biased data. It optimizes policing, it risks reinforcing racial biases in historical crime data (Biryukov, 2019).

AI is also employed as a risk assessment tool to assess recidivism risk in criminal sentencing and parole decisions. These tools can introduce greater objectivity into decision-making, but research has shown that they sometimes replicate racial and socioeconomic biases present in historical sentencing data. offer objectivity but often replicate racial and economic biases (Situmeang et al., 2024).

Furthermore, AI functions as a legal research and case analysis tool aids legal research and case analysis, assisting lawyers and judges by rapidly analyzing large volumes of legal documents, identifying relevant precedents, and streamlining evidence review. by scanning vast legal records, identifying precedents, and reviewing evidence quickly. This allows legal professionals to work more efficiently and devote more time to complex, high-stakes cases, freeing lawyers for high-stakes cases (Vargas-Murillo et al., 2024).

Despite these advantages in efficiency, AI's role in legal decision-making remains controversial. One major concern is the potential erosion of judicial discretion — if judges rely too heavily on AI-generated recommendations, they may become less engaged in the nuances of individual cases, ultimately diminishing the human element of justice. The fear is that judges over-rely on AI, losing case-specific discretion and the human element in justice.

AI in Social Justice

Beyond the courtroom, AI is also being deployed in social justice initiatives, where it is used to promote equity and monitor systemic discrimination. AI monitors systemic discrimination and promotes equity. Examples of AI-driven social justice applications include, for instance, bias detection in judicial systems.: AI algorithms analyze court records to identify patterns of discrimination in sentencing and legal proceedings, helping policymakers address systemic injustices. flags discriminatory sentencing trends to guide policy reforms (Rafanelli, 2022).

Moreover, AI is used in human rights monitoring to track and document human rights violations, including police brutality, censorship, and labor abuses. By analyzing vast amounts of digital and social media content, AI can provide real-time insights into ongoing violations. (Mohamed, 2024). Another area AI is being applied is legal aid and access to justice through AI-powered legal chatbots and online assistance platforms. They help individuals who cannot afford legal representation navigate complex legal processes. These assist low-income individuals with legal navigation. This has the potential to democratize access to justice, though concerns remain about whether AI systems can provide nuanced legal advice equivalent to human lawyers. broadens legal access, but AI's limitations in nuanced legal counsel remain a concern (Biryukov, 2019).

Efficiency Gains of AI in Justice Systems

While concerns about bias and fairness remain significant, AI also offers a range of efficiency gains that have the potential to transform legal and social justice systems and. enhances efficiency in justice systems. AI's ability to process and analyze large volumes of data, identify patterns, and streamline and optimize workflows, analyze vast data and optimize workflows can help alleviate some of the systemic inefficiencies that have long plagued judicial institutions and. court inefficiencies. These efficiency gains manifest in several key areas such as speed, cost reduction, enhanced consistency and accuracy in legal decisions.

One of the most significant advantages of AI in legal systems is its ability to expedite processes that traditionally take months or even years to complete. A key benefit is speeding up traditionally slow processes. Many court systems worldwide are overwhelmed with case backlogs, delaying justice and placing financial strain on legal institutions. Due to by backlogs, delaying justice and raising costs. AI-driven automation helps expedite case processing, assisting with routine administrative tasks, such as scanning legal documents, drafting contracts, and managing evidence. AI automates routine legal tasks, expediting case processing.

These automating capabilities of AI reduces the workload for court clerks and legal professionals, allowing them to focus on more complex legal matters and. frees legal professionals for complex cases (Vargas-Murillo et al., 2024). AI also supports automated legal document analysis, processing thousands of pages of case law, statutes, and legal precedents within seconds, helping judges and lawyers find relevant information faster and. scans case law, statutes, and precedents instantly, aiding judges and lawyers (Biryukov, 2019).

Traditional legal systems struggle with variability in human decision-making. Judges, attorneys, and law enforcement officers bring personal experiences, biases, and emotions into their assessments, which can sometimes result in inconsistent legal outcomes. Human biases create inconsistencies. AI offers the potential for greater standardization and objectivity.

AI-driven risk assessment tools help judges make more uniform sentencing decisions based on statistical models rather than personal judgment. This reduces disparities where two individuals charged with the same crime might receive significantly different sentences due to subjective human interpretation, providing consistency in sentencing. AI assists in standardizing sentencing by replacing subjective human interpretation with statistical models (Biryukov, 2019).

Additionally, AI-powered forensic tools assist in analyzing digital evidence, identifying inconsistencies, and detecting potential errors in legal proceedings. This can prevent wrongful convictions caused by human oversight or error. analyze digital evidence to prevent wrongful convictions (Mohamed, 2024). Studies have shown that factors like fatigue, stress, and external pressures can influence human decision-making in courtrooms. AI systems, on the other hand, remain unaffected by these psychological factors, making legal processes more impartial. show AI remains objective, unlike fatigued human decision-makers (Rafanelli, 2022).

Balancing Efficiency Gains vs. Ethical Considerations

While these efficiency gains are significant, they should not come at the cost of must not override fairness, accountability, and human dignity. Over-reliance on AI in legal decision-making could lead to mechanistic justice, where individual circumstances and ethical considerations are overshadowed by algorithmic efficiency. Too much AI reliance risks mechanistic justice, ignoring ethical nuances. A recent paper suggests that predictive models built with data that originated in an era of flawed and racialized policies and practices result in algorithms that ingest those biases (Richardson et al., 2021).

Regulatory safeguards must accompany efficiency gains. AI should be used as a support tool rather than as a replacement for human judgment. must supplement, not replace, human judgment. Policymakers must ensure that AI-driven decisions are transparent, explainable, and subject to appeal. Justice is not merely about achieving efficient legal outcomes—it is about ensuring that individuals feel heard, understood, and are treated fairly treated within the system. requires fairness, not just efficiency. As AI becomes an intermediary in legal and social justice experiences, it risks altering the perception of fairness by replacing human interaction with algorithmic decision-making - . in justice, it risks replacing human fairness with algorithmic coldness. To harness AI's full potential while mitigating these risks, human-centered governance must guide AI development in justice systems. without eroding justice, human-centered AI governance is essential.

Integrative Models and Their Implications

In their recent paper, Garlow & Slaughter (2025, p. 207) write: "The challenge becomes to develop a "relational economics" that can capture the value of the relationship itself, beyond the service provided within that relationship." They call for a new economic category, "Caring,", which is distinct from a service. Their description is similar to the nature of compersion, where an individual finds happiness in the wellbeing of others. Their discussion on the limits of transactional value (price) to capture the value of a relationship goes deep to the nature of the business-humanities schism. Relationships are an aspect of how we experience the world, especially justice experiences. Hornung, Hoge and Unterrainer (2025) provide a wide-ranging framework grounded in psychological and organizational foundations, that focus on the antagonism between neoliberal ideology and humanist ideals.

The approach we will follow is to directly coalesce the aspects of relationships (like caring) and ideals into the formalism of utility functions. The purpose is two-fold. First, it implies that formal business economic models can include humanist elements. This is a way of including caring and human rights as part of business valuation, and not just as seemingly ad hoc constraints to be worked around (e.g. business that drop DEI initiatives as the politics changed). Second, it enables us to consider how AI might interpret our interpersonal relations in its processing. Using a religious analogy, if instead of being on earth as a test of whether we are worthy for eternal paradise, our actions and choices are a pre-test to infer how to best prepare our "mansion". The following models hint at how AI might include human rights, relationships and justice experiences in its calculations.

Use Case: Relationship

One way to imagine the ethical challenges that AI will confront society with is to consider a very simple model of a two-person household, where their sense of well-being is directly influenced by the well-being of the other. Assume the first person feels competitive with the second, but the second feels compersive with the first. This could be expressed as the first person's utility being dependent on the ratio of what they consume relative to the second person. The second person's utility will increase with the first person's increase in consumption. The respective utility functions might look as follows:

$$U_1 (C_1, C_2) = C_1 * (C_1/C_2), \qquad U_2 (C_1,C_2) = C_2 * C_1 \tag{1}$$

Further, assume the household runs on the justice principle of equality, that each should experience the same utility from consumption. Thus, their decisions are based on $U_1 = U_2$. This implies that the justice strategy is consumption equity that generates an equality in well-being. What levels of consumption generate that equality? Doing the algebra we get:

$$C_1 = C_2^{\,2} \tag{2}$$

In this situation, the first person would receive a great deal more in consumption than the second, even though their utilities are equal. For example, if the household had $90/day for consumption, the first person would get $81/day, and the second person would get $9/day. Clearly, bringing social issues of equality and equity into a utility maximizing framework can deepen our understanding of socio-economic dynamics.

What if the justice principle was equality of consumption ($C_1 = C_2$) and the strategy was accepting differing utilities? Then first person experiences a utility of C_1, and the second person a utility of C_1^2. In this case \$90/day would be split \$45 each. What happens to utility? Under the equal utility principle each person experienced 729 utils. Under the equal consumption principle, the first person experiences 45 utils, and the second person experiences 2025. The two people would even have differing preferences over which definition of equality to use. We can take this and generalize the formula as

$$U_i(C_i, C_j) = (C_i)^{\alpha} * (C_j)^{\beta} \tag{3}$$

Here, the parameters α and β are positive if there is compersion, and negative if there is competition. We can go further. If C represents the amount of *caregiving* (instead of consumption), we can now model the distribution of caregiving received by household members. Moreover, the parameters would now represent how the members *care* for each other. Caregiving is the service provided. Caring is how one is prioritized in decisions and choices. The distinction is important. It is possible for someone to provide caregiving even if they care little for a person, especially when the compensation is sufficient. On the other hand, it is possible for someone to care a great deal but not have the resources to provide much caregiving. Material poverty makes it difficult to express a caring spirit. Spiritual poverty implies not even caring. The first can be improved with a more abundant environment. The second requires changing oneself, and that is not without cost as well. Entrepreneurs face the tradeoff between investing in the production of the supply of a tangible good or service (C), and the changing of the demand and priorities for the ideal of that good (α and β).

Use Case: Ideals

Previously, we discussed how changing the imagined ideal could increase demand for justice experiences, but potentially with a decrease in the utility or well-being from what is received. As such, the competition is not with another person, but against the ideal. If the utility function was of real experiences, R, and an imagined ideal, I, it might look like this:

$$U(R,I) = (R/I)^{\alpha} * I^{\beta} \tag{4}$$

where α and β parameters between 0 and 1. The interpretation of the function is thus: a greater Ideal by itself increases a sense of well-being, and the more real experiences approach that Ideal the better off as well. However, the balance between α and β impacts whether the person is better with greater or lesser ideals. If $\alpha = \beta$, then the utility function is based solely on reality. If $\alpha < \beta$, then (holding R constant), then the greater the ideal the greater the utility. If $\alpha > \beta$, then (holding R constant) then the greater the ideal the lower the utility. From the marginalist view, as the marginal utility of an extra unit of a real experience increases, so does the demand. Since the marginal utility of R is the first derivative of the utility function, we get

$$MU(R;I) = \alpha(R)^{\alpha-1} * I^{\beta-\alpha} \tag{5}$$

This implies the greater the ideal is weighted, the greater the marginal utility, and hence the demand for real experiences. This is not intended to be an exhaustive proof, but rather an example of how one can use this framework to express how competing against an ideal could increase demand for real justice experiences and yet lead to a greater gap between reality and ideal (R/I decreases as I increases).

This would also hold even if R increases (because of the increased demand), as long as it increases at a slower rate than I. It may also be useful to abstract slightly from using R/I to concepts of *distance and proximity to justice*. Distance to justice, D(R,I) allows for an ideal to being a *bliss point*, such when reality equals the ideal, then the distance is zero. Otherwise, what is realized is at a distance from the ideal. We can then define proximity as the exponential of negative distance, or

$$\text{Proximity }(R,I) = \exp^{(-D(R,I))} \tag{6}$$

Note that the proximity equals 1 when the distance is zero and decreases toward 0 as the distance increases. Why use distance and proximity with regards to justice? In the same way there are no risk-free assets when considering investments, businesses are faced with no perfect justice outcomes. If they have more than one customer, the choices the business make can be construed as not solely in the best interest by either of the customers. The individual customers will be able to imagine a world where the business could have provided a better product if it was perfectly designed solely for that customer. If the product experienced is justice, the individual person could imagine being closer to their ideal (even if further way for someone else). As such, we may require businesses operate within a specified proximity of idealized justice and human rights; yet, if attaining that proximity is not feasible, businesses might end up ignoring that requirement and society ends up even at a further distance from justice.

The above is intended to illuminate the risks of AI deepening economic and legal disparities, even if it was designed so that everyone ended up with the same sense of well-being (equal utility to be precise). All that is required is that the technology infers such interpersonal preferences from observables (such as consumption and caregiving), surveys on well-being, and similar datasets. Without some form of regulation and governance, those with the greatest empathy for others would tend to receive less than those lacking empathy, and even less than those with antipathy.

Further, the models also suggest that in a society where some roles are seeking to decrease the consumption of others (as through decreased labor expenses, which entrepreneurs seeking efficiency might tend toward), and other roles are happy for the success of others, even if everyone's utility were the same, the equilibrium is one of great income and wealth disparity. We can imagine other models where the relationship and ideals parameters adapt with ongoing experiences of poverty or wealth. In terms of justice and human rights, priorities sometime change in response to our lived experiences.

Conclusions and Future Directions

The future implementation of AI toward increasing the quantity and quality of justice experiences will depend on whether entrepreneurs are guided by conceptions of value that lean toward the social and holistic or toward the transactional and reductionistic This also aligns with the contrast between a considered, reflective planning for the future or an impulsive, reactionary improvisation of the present. Given that AI can also be understood as accelerated inference, without voluntary guardrails it will be its design to choose and act much faster than humans can track or grok. While this permits for a greater number of justice experiences (a marginalist analysis), it can lead to humans adapting their sense and intuitions of justice to what is produced (a dialectical analysis). Further research on the likely stable, attractor equilibriums between extensive measures and intensive perceptions will be needed to better understand how this brave, new code will evolve ourselves and our world.

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