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Paying the Price for Corporate Social Responsibility: Social costs and dividends of oil and gas company approaches in Nigeria

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Introduction

Corporate social responsibility[4] (CSR) has grown in prominence over recent years. And rising levels of interest have been accompanied by contests within academic and business circles over the purpose and suitability of businesses having social responsibilities. The spectrum of opinion ranges from the view that CSR is an unnecessary and inappropriate cost for businesses to an integral and essential way for organisations to operate in order to secure sustainable futures. This debate has been well documented and it is not intended to review here. Although trans-national corporations' (TNCs) intentions are disputed, it is apparent that many organisations are spending considerable amounts of money under the remit of CSR[5]. Financially, TNCs are paying the price for their policies. Again the extent to which this is investment to be subsequently recovered through accompanying business opportunities is not under discussion here. Instead I am interested in the social consequences of CSR and the implications for Southern hemisphere societies and communities. The particular focus in this paper is upon oil and gas TNC approaches within Nigeria. By looking at the social costs in the Niger Delta region in particular we can begin to identify why investments in CSR policies have failed to reap community dividends.

CSR in Oil and Gas TNCs

A brief review of CSR within oil and gas companies quickly connects growing emphasis to rising civil expectations and fears over global warning, environmental disasters, diminishing

[4] I am sidestepping the debate over what CSR constitutes, in part as it is a discussion without a universally agreed end. However I appreciate it is essential to establish how I am using the concept. Consequently in this paper Blowfield and Frynas' (2005) application is adopted which considers CSR to be an umbrella term incorporating: business responsibilities and impacts towards societies and the environment; supply chains and; added value to wider society.

[5] For instance, Shell contributed over $80 million to the Niger Delta Development Commission and Nigerian community development projects in 2010 (Royal Dutch Shell 2011).

resources, the impact of TNCs within globalisation and perceived growing power and influence. With growing cynicism about the motivation and ability of national governments to affect change, consumers and civil groups are increasingly targeting TNCs in order to instigate transformations by threatening risks to reputations. Greater, more focussed application of CSR tools and concepts and ways of thinking could enable the identification of more extensive future risks and opportunities which threaten profitability, demand, accessibility, market valuation and reputation. In this regard energy companies are particularly vulnerable. Their brand and social capital is reliant upon intangibles such as trust, reliability, credibility, consistency, relationships and transparency alongside tangibles like profit, investment in employees, communities and the environment. With intensified competition for new fields, that are invariably associated with deeper and broader risks, markets and invigorated civil societies, companies are facing growing expectations and demands from governments, communities and consumers.

Facing changing civil, political and commerce realities there has been increasing attention placed upon CSR (or other related terms such as CR, sustainable development, communities, our people etc.) within the oil and gas sector. With efforts to globally regulate TNCs abandoned, trans-national initiatives have been introduced such as Global Reporting Initiative, UN Global Compact and the UK led Extractive Industries Transparency Initiative (EITI) alongside organisations such as the World Business Council for Sustainable Development, the Institute of Business Ethics and the World Bank Group funded CommDev. Such organisations promote change in corporate conduct[6].

TNCs have responded to changing perceptions and demands and numerous CSR related initiatives have been introduced. Today many oil and gas corporations have codes of ethics, engage in stakeholder dialogue, help to build schools and hospitals, participate in partnerships with development agencies such as the United Nations Development Programme (UNDP), employ NGOs to implement development programmes and publish reports on financial, social and environmental performance. Diverse international representative

[6] Again it is important to acknowledge that the extent of intent and levels of motivation is somewhat contentious.

organisations such as IPIECA and the World Petroleum Council promote understanding of ethical and sustainable business practice alongside campaigns to highlight company community actions. Nevertheless there is still widespread acknowledgement within the energy sector and representative bodies and heightened demands from international pressure groups, civilian populations and, in some instances, political groups and militias, that greater emphasis upon social responsibility is required. If companies are to constructively contribute to greater engagement and the application of ways of thinking associated with CSR, employees will require greater insights into the ways in which companies interact with communities, governments and global processes and their consequences. Moreover despite increased investment, CSR approaches are failing to overcome many of the problems they are associated with creating. On the contrary, CSR policies are exacerbating existing problems while creating new ones.

The problems are magnified within parts of the world where oil and gas companies operate in what is described as the 'absent state' thesis (Frynas 2005). In large swathes of regions governments are detached from communities and inhabitants and do not carry out critical duties (Eweje 2007). Within these parts of the world TNCs have 'initiated, funded and implemented significant community development schemes' (Frynas 2005: 581). Despite this Frynas argues that a significant proportion of monies are misappropriated by staff, contractors and local leaders. Other monies are wasted on inappropriate, incomplete and abandoned projects. In short there are considerable inconsistencies over the implementation of initiatives and as Idemudia (2009) points out there is considerable disagreement over their impact. Reasons behind the programmes depend on one's viewpoint; they are either altruistic or pragmatically determined by the benefits such schemes bring TNCs. Nevertheless irrespective of the underlying intention they are voluntary, taking place in locations where the operations of TNCs are frequently unregulated or a best loosely monitored. Akpan (2006) and Eweje (2007) explain that petroleum related legislation has been weak and ambiguous. Considerable onus is placed upon TNC self-regulation in a location where many of their activities, with both positive and negative impacts, go unreported. In the West energy TNCs operate within legal frameworks of nation-states in order to ensure legitimacy. Yet sustaining the legitimacy in locations with regulatory gaps in coverage and/or application is perversely more difficult (Rwabizambuga 2007). Such vulnerability ties in with greater global coverage which extends to regions with limited regulatory coverage and has resulted in greater awareness of oil and gas company misdemeanours.

Diverse local forces, pressures and demands will vary markedly across the world and can contradict corporate intentions for consistency and result in challenges in the (de) legitimacy of policies (Rosenzweig and Singh 1991). Such inconsistencies have to be managed and incorporated within socially responsible strategies and interwoven with multinational enterprise. Tuodola (2009) outlines this can mean very different approaches in different parts of the world. Hence Royal Dutch Shell (Shell hereafter) is no longer involved in corruption in Italy, causing oil spills in San Francisco or dumping hazardous waste in Ireland. It is in Nigeria as well as in/direct involvement in human rights abuses, community conflicts and damaging local environments and infrastructures.

For many companies the ineffectiveness of their CSR strategies stems in part from their limited appraisal of the environment or community to which they are establishing new sites and businesses and their underlying unfounded expectations. Roberts (2006) observes how contrary to the thorough investigations undertaken by companies into understanding new markets and competitors, little attention is placed upon understanding new work based locations or the impact of their activities upon surrounding communities. Moreover CSR initiatives that are centralised, Barkemeyer (2007) argues, will be less likely to adapt to different contexts. By comparison decentralised arrangements are better positioned to identify both what is relevant and local peculiarities which might impair initiatives. To this extent the incorporation of NGOs can assist.

Conversely the pervasive trajectory from colonialism through to today's commercial activities provides TNCs with disproportionate influence in power relations. This enables the TNC view to become the dominant view which suppresses, denounces or ignores alternative perspectives. As Utting and Marques (2009) explain, the assumption of functions previously associated with the state means that TNCs have an overt presence as political actors and as such become legitimate targets of contestation. This is the 'politics of corporate accountability' which can be connected to Friedman's (1970) argument that CSR is 'undemocratic' with unqualified managers making decisions which lack legitimacy in the 'public interest'. Yet it should be the 'public' making such decisions. And as Rwabizambuga (2007) comments Shell's relationship with the Nigeria government makes it guilty by association. Without extensive federal government's engagement in the region, Shell becomes the de facto government, or representatives of the government. As such expectations, demands and anger is directed at the oil company and not the government.

Impact of Oil and Gas CSR in Nigeria

Some of the largest TNCs in Nigeria such as Shell, Chevron and Exxon Mobil have considerably extended financial and strategic support in the region. At an overarching, crudely financial level Shell Petroleum Company of Nigeria (SPDC)[7] paid the Nigerian government $31 billion between 2006 and 2010. Moreover Shell's share of the royalties and taxes paid to the Nigerian government in 2010 was $3.5 billion. Shell is also involved in development projects, many in partnership. Activities include small business, agriculture, training (in different facets of oil and gas production), education, health care, water projects and capacity building (Royal Dutch Shell 2010, 2011). Investment in these areas reflects the changing strategic approach which TNCs have started to employ. For instance, the Global Memorandum of Understanding (GMOU) introduced by SPDC in 2006 aims for communities to identify their needs and spending priorities. By the end of 2010 SPDC GMOUs had been set up in 244 communities (Royal Dutch Shell 2011). As Idemudia (2007) explains there has been a shift from top down to bottom up and the encouragement of local capacity, social capital and local economic growth. There is greater engagement with NGOs. Allocated growing prominence across organisations there seems to be serious commitment. Nevertheless there are serious doubts that the main TNCs approaches will be successful.

[7] SPDC is a joint venture in which the government owned Nigerian National Petroleum Corporation owns 55 per cent and Shell 30%.

TNCs are clearly aware of the complexities and vastness of the fundamental issues that CSR policies have to acknowledge even if they are not intended to be addressed. For instance, Shell point out that most of 30 million people living in the Niger delta remain poor and unemployment rates are high. Arguably to help address this programmes for small scale business management have trained over 850 people since 2004, micro credit programme has helped over 30,000 expand businesses, 306 youths trained in energy related skills in 2009, across Nigeria 2,730 secondary school & 850 university scholarships awarded (Royal Dutch Shell 2010, 2011). Chevron's activities include involvement in Global Education Partnership in eight schools in Lagos, awarding $5 million to medical students, financial management, government budgeting and community relations workshops. Eight hundred and forty nine people had been trained in 2010 (Chevron 2010, 2011). The Niger Delta Partnership Initiative was also launched in 2010. An initial investment of $50 million the Initiative is aimed at economic development, conflict resolution and capacity building.

To appreciate the value and likely impact of these initiatives it is important to establish the Nigerian backdrop of widespread poverty, deprivation, unemployment and high rates of mortality and morbidity. Tensions continue to be inflamed within Nigeria including the Niger Delta where demands for greater public services and wealth redistribution increase. And limited engagement with communities during the formulation of corporate approaches has meant that policies that aim to encourage local development have largely failed. CSR remains detached from day to day business and although GMOUs place much more emphasis on engagement[8] this remains geographically and socially restricted. Attempts to engage with communities are often limited to community elites who often do not represent broader interests. Moreover wider communities lack trust in leaders and TNCs stems from local histories of promises that are considered to have been broken. Consequently the bottom up approach is severely restricted unless it is integrated within an enabling top down approach (Idemudia 2007). Limited communication is also a factor that has contributed to local differences over borrowing and loaning not being incorporated within plans. Consequently

[8] The relatively short lifespan of the GMOUs mean it is difficult to gain a meaningful evaluation of outcomes. At a basic level, the scale of the problems being encountered compared to the relatively small investment indicates that long term constructive outcomes will be limited.

many people, especially in rural areas, are either unaware of the schemes or prevented by differing interpretations from applying. The lack of familiarity may, Idemudia (2007) argues help to explain poor rates of loan repayment[9]. In addition attempts to employ people within local communities often flounder through the engagement of local institutions which rely on corruption and patrimony (ibid.). Corruption remains hugely contested. At one level there is evidence of Western imposed cultural interpretation. Conversely corruption has also become a meaningful accusation that is directed between rival communities.

Much of these impacts do not feature within 360 degree reviews of CSR programmes. Instead TNCs tend to concentrate upon directly controllable outcomes with extended consequences unnoticeable, detached from their cause/s and even discarded. At one level the reasoning for this focus is not difficult to understand. More immediate, visible outputs are much easier to observe. Hence companies can measure progress by the number of local residents they employ and the health facilities and schools that are built. Gulbrandsen and Moe (2007) point out how companies focus on the 'micro-level' directing actions towards communities in which they operate. These are tangible benefits that stem from organisation's direct control. The dark, unintentional sides of CSR policies are harder to identify and lead to questions which TNCs may prefer not to know about or even to ignore. Such consequences include common responses to surges in development. These include the surge in criminal activities that rising income levels can attract, the decline in local industries and businesses whose better staff are recruited by TNCs and the migratory pull of the regions. Local services, including company built hospitals and schools become overwhelmed. Suddenly institutions that were designed to help and improve lives become the sites of contested access and rising tensions. With the rising tensions, companies seek to build or reinforce security in order to protect property, resources and staff. For instance, within the Niger Delta oil companies have retreated into their own compounds surrounded by fences and armed guards. Lacking legitimacy (Idemudia 2007) in the opinion of many locals, and security and legal structures that one would expect from many national governments, TNCs in the Niger Delta have resorted to self contained communities. Within one plank of CSR this is understandable. Employers

[9] The lack of familiarity argument challenges Frynas' focus on a culture of dependency which he applies to explain the lack of uptake.

should protect their employees and ensure their security and safety. However this approach raises tensions within other facets of social responsibility. Such a reliance on security arrangements is at the expense of interaction and engagement with local communities (Omeje 2006). The physical and psychological divides between TNCs and communities are thus exemplified by the reinforced perimeter fences that are seen to protect the incomers from the local people. In other words, without an accommodating framework which would incorporate, support and strengthen company programmes, corporate reach will be restricted to those areas or enclaves that companies control. And there are limited opportunities to observe constructive interactions both between the oil companies and communities and between communities in different strategic locations in the distribution network.

In order to establish the wider impact of organisational policies oil company representatives therefore have to leave their compounds. Alternatively they can subcontract the assessments of outputs and outcomes and consultation processes. Depending on the quality of the sub-contractors, their ability to engage with local people, and not just the leaders, and potential willingness to be critical of their paymaster, this approach can be positive. Broader levels of illumination can be provided that contribute to the more focussed policies that address actual need and not vague attempts at philanthropy. Sub contracting does little, however, to overcome the lack of mutual identification between companies and communities. Moreover discussions are often undertaken on oil companies' terms and turf. Rwabizambuga (2007) reports on community concerns that even when companies do engage within community meetings it is perceived as intended to gauge the mood of the community and to identify groups who could be a threat to the company or its assets.

The restricted scale of CSR activities can mean that the strategy to develop new opportunities and reduce poverty may not even offset the loss of livelihoods that continue to be adversely affected by energy company activities. In this regard as Idemudia (2009: 130) observes,

> Poverty in the Niger Delta is rooted in the structural inadequacies of the Nigerian state and the systemic deficiencies inherent in its society. These structural and systemic

anomalies are in turn accentuated by the actions and inactions of oil TNCs, and therefore aggravate the incidence of poverty in the region.

Hence as TNCs seek to contribute to community development, daily activities such as flaring[10] impact upon local environments and existing livelihoods such as fishing and agriculture are destroyed.

Social relationships have also been adversely affected. Oil and gas TNCs approaches have tended to allocate resources on individual community basis rather than through broader negotiation and compromise. Akpan (2006) outlines how oil and gas companies establish differences when determining communities and sections therein to 'support'. Such parameters of distinction become the location for tensions and disputes which follow the targeted allocation of resources according to perceived contribution to the oil economy (Akpan 2008, 2009).

CSR policies in Nigeria can therefore be considered to be failing for numerous reasons, including limited or lack of consultation, inadequate knowledge and understanding and inappropriate application of forms of behaviour. Approaches from top to bottom lack integration and cohesion. In short there has been inadequate investment in time, money and consideration. Yet even if these were increased the impact of CSR would still be restricted. Mutual interdependencies and forms of collective consciousness will only become firmly embedded through long term commitment and surrounding stability and security. Yet corporate responsibilities are typically short-term. Barkemeyer (2007) outlines how companies tend to develop short projects with high visibility rather than longer-term capacity building initiatives. Again it is easy to understand corporate approaches, particularly in energy producing regions which are increasingly vulnerable to political transformations. Focussing on high profile developments such as digging water wells and building medical facilities that are accompanied by photographs are much more tangible compared with shifts in social

[10] There are signs that flaring is being tackled although the methods are not as extensive nor as quick enough for local communities and environmentalists. Shell have reported that flaring from SPDC facilities has fallen by over 50 per cent since 2002.

relationships, transforming opportunities, enhancing the supply chain and contributing to a burgeoning civil society. Within these approaches it is possible to observe the imposition of post colonial values as TNCs decide what communities need; perceptions that are often based on caricatures of hapless victims who are incapable of overcoming problems; perceptions which some of the community demands reinforce. Certainly as Ite (2007) points out, Shell's Community Assistance approach (1960-97) portrayed communities as helpless victims and contributed to a dependency culture.

Concluding thoughts

Oil and gas companies are increasing their emphasis upon CSR related policies and actions. Whether these are for moralistic or instrumental reasons is a source of debate. Irrespective of intention the approaches are rarely coordinated either within corporate initiatives or with affected communities. Nor are the impacts measured beyond crudities. And by focussing upon short term tangibles the processes which contribute to the initial problems are neglected. The impact of CSR approaches will inevitably be restricted and possibly even detrimental. Conversely ambitions have to acknowledge the limitations that stem from restrictions upon corporate aims, resources, capabilities, appropriateness of behaviour and the contexts in which they operate. TNCs need to have a much clearer indication about the causes of the problems they are encountering and the consequences of their actions. Through greater knowledge and understanding of the social and natural environments in which they (might) operate TNCS are able to make better informed risk assessments and thus enhance decision-making.

Like other forms of development, major discoveries of oil and gas are accompanied by considerable opportunities and threats. For instance, a surge of oil revenues can be even more destabilising than the preceding widespread poverty. Certainly many people will prosper with their incomes and quality of life rising. Sudden wealth will also be accompanied by migration into the region which often overwhelms the local infrastructure and in particular health, housing and educational resources. Unless carefully managed, the economic upturn can be accompanied by the destruction of social and cultural resources and the emergence of corruption, prostitution and increasing levels of theft and extortion. If allowed to continue unchecked such behaviour spirals and often leads to corporate quarters becoming entrenched, heavily securitised and detached from the communities they originally sought to develop and ultimately the consequences of their actions.

Today there is increasing pressure on TNCs to engage at wider levels, in the social, economic and political development of the regions where they operate (Gulbrandsen and Moe 2007). However this stance can result in companies being at odds with the governments over regulation, governance, human rights, income distribution. Companies will often be reluctant to reach the stage where relations become damaged at the expense of business. There are therefore limits in what TNCs can achieve without a fundamental shift in the nature of global capitalism. Moreover unless TNCs become de facto governments, and there would be many concerns about what this would mean (Vertigans 2011), their impact is restricted. Acquiring greater knowledge and understanding will not inevitably resolve the systemic problems within Nigeria. TNCs do not have the willpower, capabilities or legitimacy to address weak and absent governance arrangements nor to impose stability. There is therefore a danger that CSR is seen as the only solution. Such as perception is unrealistic and ultimately will lead to further dashed hopes and rising levels of frustration. However CSR can become integral within tri-sector partnerships between government, TNCs and civil stakeholders. Consequently TNCs must engage with relevant national and local stakeholders including national and regional governments and local people. Only then can interested parties identify not only the large, common concerns but also how they can be best addressed.

And this leads to my final point and for which I return to the neglected debate over TNCs intentions for CSR. Again I am not intending to establish what those intentions are. However I do want to approach the inverse of their aims, namely TNCs do not want to lose out on exploration licences and rights to extract. From this position, CSR becomes integral. Unlike in many southern hemisphere locations where governments and employees are in weak bargaining positions[11] within oil producing regions relationships between TNC, national governments, employees and communities is shifting. Unlike fluid, flexible manufacturing industries, oil and gas TNCs are limited by the location of their products. Although to date this has not generally hindered the influence of TNCs, competition from companies from emergent nations such as China, Malaysia, Brazil and Russia over a finite resource will shift power more towards the localities. In this competitive environment, social dividends of TNCs activities may grow, costs to communities decrease and the price for oil, gas and CSR increases. There is certainly scope for improvement. At the moment, TNCs are paying the financial cost of CSR while the misplaced social costs of oil and gas related development are often borne by local communities.

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[11] In regions dependent on manufacturing, for example, TNCs will shift location if they become convinced that more profitable or less confrontational bases can be found elsewhere.

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