

# **A Stone and a Thousand Pebbles: A Pathway to Focusing Oil Companies' Corporate Social Responsibility on Value Creation in Developing Countries**

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## **Abstract**

Corporate social responsibility (CSR) means different things to different people. To opponents, it is a waste of corporate resources, while to its proponents it is essential for organizational survival. This paper reviews these divergent views of CSR, specifically considering the point of view of developing countries. The paper indicates that, whether CSR is considered as a necessary requirement for organizations or as a voluntary activity, it affects the economic growth and development of most developing countries. Developing countries and oil companies, either national or multinational, can team up with governments in economic growth and development. Interventions by oil and gas companies can be classified into two major issues: 'a thousand pebbles' aimed at addressing numerous small projects executed within various host communities and 'a big stone' aimed at helping developing countries to develop economically and environmentally. While pursuing the big stone, oil and gas companies could aim at long-term, medium-term, or short-term plans. The big stone could be either industry-specific or environment-specific.

**Keywords:** corporate social responsibility, developing countries, big stone, thousand pebbles

## **1.0 Introduction**

Now more than ever before, modern corporations form an essential part of the social fabric, and as a result, and as such, in most societies, they are expected to be part of societal development and growth. For this reason, corporations are expected to contribute to natural justice and be environmentally and socially responsible in addition to demands of profitability and stockholders growth and development that often is their primary role. To meet these varying expectations, corporations engage in corporate social responsibility (CSR) practices.

Although corporate social responsibility practices are used to achieve different objectives (Bondy, Moon et al. 2012, Muthuri, Moon et al. 2012), in developing countries, these objectives are directed at helping these countries to grow and develop. Participants at a United nation convention in Bali identified CSR as a major practice that is likely to improve developing countries' well-being and contribute to national socioeconomic development (Bali 2012). With an effective CSR strategy, companies, particularly, oil and gas companies, can help developing countries in their quest for development, and they can address or mitigate the negative impacts of their operations. As indicated in Carroll (1999), CSR practices originated more than fifty years ago. Despite this long period of development, CSR was not properly instituted as a policy in developing countries as it was in

developed countries. In the case of Nigeria, for example, CSR practices were primarily initiated to remedy the effects of oil and gas activities (Uadiale & Fagbemi, 2012). In addition to CSR practices being reactive, Helg (2007) also discovered that multinational companies operating in Nigeria use "placebo as medicines" when it comes to CSR practices. In other words, companies, multinational and local companies operating in oil and gas industry in Nigeria, import Western practices in implementing CSR, such that instead of preventing say an ailment, these companies would rather invest in its cure.

Largely due to this increasing realization that CSR practices could be used in national growth and development, developing countries use legislation and regulations to actualize corporations' intentions regarding CSR (Obalola, 2008). Therefore, it can be assumed that in addition to reacting to the need of the communities, policies and legislation also force companies to engage in needed CSR practices. For example, an initiative of the Nigerian government called Nigerian National Economic Empowerment Development Strategy (referred to as NEEDS) states clearly that corporations should be proactive in creating values by investing in the corporate and social development of Nigeria (Policy 2008).

Most developing countries have policy documents such as NEEDS. However, CSR practices in those countries can be described as a public relations gimmick (Obalola, 2008). According to participants at Bali convention, CSR practices should focus on effective values creation in the developing country's national economy. CSR practices in those countries need to focus on meeting the needs of its citizens and being in conjunction with national aspirations.

There is a growing body of literature on refocusing CSR practices. The work of authors such as KURUCZ, COLBERT et al. (2008) and Svendsen and Labarge (2005) perhaps signaled the commencement of CSR and value creation research. These works centered on how CSR can create value for businesses and concluded with a recommendation that the major concerns or to borrow their word, the 'business' of businesses is creating sustainable value for all stakeholders. Further, they argue that it falls on the shoulders of researchers to assemble evidence on how businesses can independently create value. Reinforcing Wheeler et al.'s suggestion, Adeyanju (2012) explained that there is a wide gulf between what is expected as CSR practices and what organizations do as CSR practices. In addition, Ellawule (2011) examined CSR practices of oil and gas companies and concluded that currently implemented CSR practices are not able to positively affect the human development, in terms of socio-economic development taking World Bank's human development indicators at different point in times, of the people of Nigeria.

The aim of this paper is to contribute in building the growing literature on CSR and value creation, particularly emphasizing that companies must consider the interests of their operating environments and especially the impacts of their actions on the development of those environments (Fryzel 2011, Adeyele 2012, Adeyeye 2012). Luff (2006)'s model on branding CSR for excellence is a model that is particularly suited for use in focusing CSR for value creation in developing countries. Luff indicates that the essence of CSR is sustainability from a place of integrity. The aim in this paper is to explore the role of CSR in value creation within the economies of developing countries, and this should be done in a sustainable manner and laden with integrity. To meet this aim, the paper shall first review frameworks for understanding CSR practices, investigate and analyse the efficacy and effectiveness of CSR practices in the oil and gas industry in Nigeria, redirect those practices to more value-oriented outcomes, and eventually provide a pathway for good CSR practice in the Nigerian oil and gas industry. The guiding question will be, "How will CSR practices be directed on value creation in the

Nigerian oil and gas industry?” In an attempt to answer this question within this article, two questions will be addressed. First, how do Nigerian oil and gas companies implement CSR, and which aspects of CSR are prioritized by these companies? Second, how will oil and gas companies create better societal value through their CSR practices?

The next section will present oil and gas industry and the impact of the industry on developing countries. Section 3 will review CSR literature, while section 4 will discuss theoretical and conceptual research frameworks. Sections 5 and 6 will present current research and data as well as discuss the results respectively, and section 7 will serve as the conclusion and make recommendations.

## **2.0 The Petroleum Industry and Its Impacts on the Economy in Developing Countries**

Since the discovery of oil in 1859, the petroleum industry has been a major money-making industry throughout the world (van Vactor 2010). van Vactor reports that as of 2008, daily crude oil production stood at thirteen billion United State dollars (USD13bn). According to UNCTAD (2010) six out of the ten largest revenue-earning companies in the world are part of the oil and mining industry. These companies operate in developing countries where the full range of benefits of oil and gas operations have been severely constrained due to many factors, specifically the capital-intensive nature of the industry and the lack of direct benefits to the larger society (Ross, 2012).

The oil and gas industry does not contribute significantly to employment in developing countries. For example, the highest direct employment contribution that the industry makes is in Equatorial Guinea where only 4% of the total workforce is employed in the industry, while the lowest is in Saudi Arabia with only 1.5% of the country’s workforce employed in the industry (UNCTAD 2010). In Nigeria, like in most developing countries, oil is the highest revenue-earner, accounting for over 95% of export earnings and about 50% of government revenues (Aigboduwa and Oisamoje 2013). However, oil and gas companies in Nigeria contribute minimally to value creation in the national economy even though it has been established that CSR gestures enhance the financial performance of the companies (Uadiale & Fagbemi, 2012). By adopting appropriate CSR policies and practices, oil and gas companies can create and contribute to value creation in the Nigerian national economy.

## **3.0 Corporate Social Responsibility in Literature**

Corporate social responsibility is a much disputed-concept, so there is no agreement as to its definition. Indeed, Carroll (1999) found more than fifty definitions and definitional derivatives. Although harmony in CSR definition and approaches is advocated (Lindgreen, Swaen et al. 2009), researchers in the area of CSR practices and principles cultivate these definitional options in using CSR to mean different things at different times. However, CSR research in developing countries has concentrated on a few main themes, specifically those that look at the quality, value and manner in which CSR practices integrate and interrelate with the needs of each society.

There is a variety of approaches that organizations take to CSR, which is often context-specific. Matten and Moon (2008) believed that CSR is better described as a “battle of ideas” and that it is affected by what organizations and/or national business systems is in place where it is considered. They then defined explicit CSR to refer to corporate policies that assume and articulate corporate responsibilities for societal interests. This implies that CSR practices are delineated into those that are geared towards societal interests and those that are not. CSR has also been shown to be driven by

different factors and for different reasons (Carroll 1999, Helg 2007, Matten and Moon 2008) and to be culture-specific (Helg 2007, Amao 2008, Lazano, Albareda et al. 2008, Mathuri and Gilbert 2010, Fryzel 2011).

Another view of CSR was advocated by (Frynas 2005). Frynas considers CSR as a means for public delivery of development in developing countries. With this view, CSR is not to be considered a public relations tool or mere philanthropy but rather an essential part of national development plans. For oil and gas companies operating in developing countries, for example, corporate objectives and national development objectives should be compatible. CSR should be a part of the national development plan, and companies and governments should work together to build and interpret the relationship between CSR and national development (Mehra 2006, Fryzel 2011).

In order for CSR to contribute effectively to the national development in developing countries, actors responsible for formulating the CSR agenda in those countries must be proactive and articulate the CSR agenda in national development plans. In fact, (Mehra 2006) warns that if CSR is to truly and radically transform emerging economies, lip service to CSR must be stopped, and universal CSR values and norms must be instituted. This warning calls for the reversal of CSR views as a proactive, rather than reactive, concept. Understanding universal values means being proactive and innovative in the way CSR agenda is deployed in emerging economies.

In most developing countries, CSR is used as a reaction to correct what was regarded as social ills rather than mitigating the occurrence of such ills. For example, Newell and Muro (2006) linked the evolution of CSR to the 2001-2002 economic crisis in Argentina. These authors profiled the role of various drivers, including the state, the civil society, and external influences such as, for multinational companies, central company policies on CSR; international legislations, treaties and agreements; globalization; etc. Weyzig (2006) establishes how external influences affects CSR agenda in Mexico, finding that CSR was largely driven by external factors, particularly globalization, although it is heavily influenced by context-specific factors. Weyzig indicates further that local conditions determine priorities and operational aspects of CSR implementation. These context-specific factors are mostly a reaction to some socioeconomic conditions, although Weyzig finds that implementations of CSR practices are faulty because stakeholders are often not engaged in the process.

CSR principles and practices are also found out to be out of tune in developing countries due to what practitioners, reporters of CSR and regulators of CSR practices perceive as CSR (Zulkifil and Amran 2006). Zulkifli and Amran investigate the perception of fourteen accountants on CSR and found that what is perceived as CSR by these accountants was different from CSR practices. As such CSR reporting, as in triple bottom line reporting (Hubbard 2009), by these accountants, who barely understand what CSR means, would have been faulty.

In an African context, Mathuri and Gilbert (2010) opine that to develop a CSR model that is specific to Africa, it is essential to understand the institutions that drive CSR there. According to these authors, organizations are substantially influenced by the institutions within their context. The authors, using institution theory, classified institutions that influence organizations into three: social, cognitive, and regulatory. Frynas (2009) advocates for companies to contribute in the solution to societal challenges through CSR but acknowledges that organizations that engage in CSR often have priorities different from those of the society they seek to assist. Organizations often opt for short-term expediency rather

than long term societal gains. Frynas concluded that CSR practices' development initiatives as practice in their current forms have limited potential for fostering genuine local community development.

Frynas (2009), citing World Bank and USAID, indicates that organizations have a special role in helping developing countries to grow and, as such, advocates for strong international legislations in order to compel organizations to take such responsibilities. Similarly, Amao (2008) indicates that vulnerable areas or countries, such as most developing countries, require international regulations to control multinational corporations. According to Amao, describing CSR as going beyond the requirement of the law is faulty, as CSR is within the confines of the law. The author opined that although fundamental human rights principles are covered within Nigerian law, there are other fundamental principles concerning land and property rights that are not covered by Nigerian laws and are fundamental to CSR practices. Therefore, legislation is an important driver of CSR practices in developing countries.

Amaeshi, Adi et al. (2006) studied indigenous firms in Nigeria with the aim of gaining an understanding of the meaning that these firms attribute to CSR and how CSR is practiced by these firms. Their findings indicate that CSR is a localized and embedded construct. As such, the practices are responses to the organizations' socioeconomic development challenges. This research indicates that CSR was considered as corporate philanthropy aimed at addressing socioeconomic development challenges.

Obalola (2008) investigated the structural content of CSR in the Nigerian insurance industry. This author opines that CSR as philanthropy is rooted in the organizational managers' perception of CSR as well as in investors' views about the business environment. To go beyond the perception of CSR as mere philanthropic gestures, Obalola opines that CSR should be considered as an organizational strategy that is aimed to endear an organization to its stakeholders. CSR as an organizational strategy was well espoused in Ahmed (2006), where CSR is related to corporate reputation and effective stakeholder engagement in Pakistani companies. Ahmad's paper explores how CSR principles are translated into practices in developing countries. The paper indicated that there is considerable divergence of CSR practices across Pakistan and that most practices are focused on employee welfare and corporate philanthropy, as Western-style CSR models were nascent and there were no local CSR models in Pakistan. This indicates that to translate CSR practices to meet the needs of developing nations, local or context specific models are needed.

From the above paragraphs and the diversity of the nature of CSR practices and lack of coherence or uniformity in those practices, particularly, in developing countries, it is contingent on researchers in those countries to evolve some working models for CSR that address immediate and long term needs. This paper presented this model deriving from already established Western models.

Western models have been criticized as being inadequate in addressing developing countries' needs (Amaeshi, Adi et al. 2006, Helg 2007, Visser 2008, Mathuri and Gilbert 2010, Darty-Baah and Amponsah-Tawiah 2011). However, one study (Lindgreen, Swaen et al. 2009) investigated eighty-four organizations in two African countries to evaluate the extent of CSR variability in Africa as well as the usefulness of Western models for understanding CSR practices in developing countries. This study determined that there are no significant differences in practices using models developed for United States context and the practices of CSR in Malawi and Botswana.



Wartick and Cochran (1985) corporate social performance (CSP) model is useful in building an understanding of CSR practices in Nigeria. This model considers CSP to include three aspects: organizational principles, organizational policies, and organizational processes. Wartick & Cochran explain that to attain a desired impact level, all three aspects of CSP should be present in the organizational strategy.

#### **4.0 Theoretical and Conceptual Frameworks**

Researchers approach CSR research from different theoretical lenses depending on the researchers' orientation, discipline, and research context. Frynas (2009) captures this view when he indicates that there is no agreed theoretical perspective or accepted methodological perspective for researching CSR. It should be mentioned that, although, in spite of these acceptable theories and methodologies, CSR research and practice has been transformed from the irrelevant idea that is dreaded by business pundits to a somewhat widely accepted and applied business concept (Lee 2008), it has been tightly coupled with organizational financial goals. For this reason, researchers approached CSR from the viewpoint of its contribution to internal and external business performance such as increased profits. With the advent of stakeholder views in business in the 1980s (Freeman, Wicks et al. 2004, Jones, Felps et al. 2007, Lee 2008), researchers focus on understanding and gaining stakeholder acceptance (Keinert 2008) and how CSR will help organizations to acquire reputation and integrity in the process.

Lee (2008) traces the evolution of CSR theories from the time of Bowen (1953, cited in Lee, 2008), stating that the responsibility of businesses to society has roots in religion and morality. From then on, scholars and practitioners used different morality theories to explain and understand CSR. However, a number of these theories are repeated in different names and connotations and as derivatives of the most often-cited theories. One of the often cited theories opposing organizational adoption of CSR is rooted in the agency theory and states that businesses' only responsibility is to maximize shareholders' values (Friedman, 1970, Cited in Mele 2008). Although this theory is often cited as the most hostile to the CSR concept, (Keinert 2008) opines that when it is considered systematically, the theory states that firms should, while in the process of profit maximization, comply with the laid down rules and regulations within the context of their operation. This means that extent rules as enshrined in legislations and as understood by firm's cultural contexts must be obeyed. As such to ensure that CSR is effective, extent regulations, within the context of organizational operations, should be established. This view is vital and may be a vindication to Friedman's view. Other often-cited CSR theories include the stakeholder theory (Freeman, 1984, cited in Mele, 2008), corporate social performance (Wood 1991), the pyramid of corporate social responsibility (Carroll, 1999), corporate citizenship (Mele, 2008) and Drucker and Porter's simultaneous offering of organizational competitive advantage (Frynas 2009). Frynas (2009) lists and explains the seven most-cited CSR theories in the literature.

Other authors believe that CSR is agenda-based rather than theoretical-based. For example, Dartey-Baah and Amponasah-Tawiah (2011) used Western business theories to study CSR in Africa. They concluded that these theories cannot be used to study CSR practices in Africa and that researchers need to understand the most culturally relevant model for understanding CSR practices. Adeyeye (2012) indicates that CSR practitioners (oil companies, in this case) have a different agenda for CSR, which is often aimed to meet the immediate expectation of their host communities.

From the review above, this paper uses three of these theories to explore the applicability of CSR in Nigerian context. Two of these are the most dominant theories in the study of CSR, and the other presents a family of models that have adopted African traditional values as suggested by Visser (2008)

and Dartey-Baah and Amponasah-Tawiah (2011). This paper also proposes a further model. The two dominating theories are institutional theory and stakeholder theory.

#### **4.1 Institutional Theories**

Institutional theories emphasize the adaptation of firms to institutions in a given context. These theories explain how organizations are embedded in social and cultural contexts. Institutional theories view organizations as being affected by their embedded institutions within their operational environments. Institutionalists believe that corporations are more likely to act in socially responsible ways if there are strong and well-enforced state laws and regulations in place to ensure that corporations behave in a manner that best serves the society (Campbell 2007, Muthuri, Moon et al. 2012). Campbell opines that a variety of institutional conditions may mediate the actions of corporations in such a manner that they act in more socially responsible ways. Some of these institutional conditions include strong state regulations and international (Such as Extractive Industries Transparency)/collective industrial evaluation of organizational actions. Similarly, strong NGOs and other civil society organizations that monitor oil and gas companies' activities and a strong cultural environment that encourage and value socially responsible behaviour are among institutional conditions that may mediate activities of the organizations.

For the multinational oil companies, Frynas (2009) explains that institutional theoretical perspectives can be used to explain why firms operating in the same environment respond to social and environmental pressure differently. It can also be used to explain the reasons for differing CSR strategies by different country subsidiaries of the same multinational firms. Regulations, rule of law and strength of institutional legislations are important in understanding why some organizations do not have strong CSR culture in some countries as they do in others. For example, most African countries, including Nigeria, ranked low consistently in high-level corruption indices (see for example, CPI 2015) and due to corruption, organizations may have easy ride on its CSR responsibility by colluding with regulators. However, institutional theory and its various derivatives although focus on institutions, may not explain why Western organizations doing businesses in developing countries flaunt regulations (Frynas 2005) as it often happen with oil companies in developing countries.

#### **4.2 Stakeholder Theory**

Stakeholder theory views the organization as consisting of a collection of internal and external groups that are affected and also affect organizational objectives (Freeman, Weick et al. 2004, Jones, Felps et al. 2007). The term “stakeholder” distinguishes between those who are affected and affect the organization and those who are stockholders or owners of organizations. Stakeholder theory extends widely and cover numerous people who are directly or remotely affected by organizational operations. It should be noted that stakeholders’ interests often diverge not only from the interests of the organization but also from the interests of different stakeholders.

Stakeholder theory has advanced to explain diverse interests and to understand the world’s current business complexities. Santana (2012) and Santana-Medina, Franco-Maass et al. (2013) explain three important functions of stakeholders. These lies in understanding how value is created and traded within the organization and who create this value and how is it traded (in what manner). Stakeholder theory also seeks to explain the problem of connecting ethics (as in morality) to capitalism (creating monetary value) and the issue of thinking about management so that the above-mentioned two issues

are addressed adequately. Thus, stakeholder theory can be explained as an attempt to connect processes of moral conduct with that of value creation.

In the oil and gas companies Frynas (2005), Frynas (2009) points out that stakeholder perspectives can explain the different approaches to social pressures experienced by the same company. This is even when these companies are operating in the same industry and in the same country as it happens in an African same community set-up. Stakeholder theory can also be used to explain how oil and gas companies can establish relationships within their operational communities. Despite the obvious advantages of the stakeholder theories, Amaeshi, Adi et al. (2006) indicate that stakeholder perspectives is not ripe for use in an African context, particularly in Nigeria as some laws, especially employee-employer relations, consumer protection, environmental legislations, etc. that are important are not strong enough and do not attract usage as much as they do in the Western countries.

### **4.3 Stakeholder and Institutional Theories**

Some institutions can also be stakeholders. For example, government agencies that are responsible for regulating the conducts of oil and gas organizations operating in the industry may have interests in the oil and gas company's activities. For these reasons, authors such as Mathuri and Gilbert (2010) suggest the development of CSR theories that are specific to African countries.

### **4.4 CSR Models for Developing Countries**

Researchers developed and used CSR models in order to explain CSR practices in organizations that have operational bases in developing countries. Baskin (2006) and Frynas (2006) investigated CSR practices in emerging markets across the globe in order to determine the drivers of CSR in those countries and compare those CSR practices to the practices in developed countries. They found that in addition to common drivers in developed countries, domestic pressures for CSR and the threat of regulations are also important drivers for CSR in developing countries.

The findings of these two authors might have prompted further investigation in individual countries in developing economies. Research in a number of African countries indicates that there are differences in the CSR approach and practices across companies, across sectors, and between companies that are local and those that are international (Mathuri and Gilbert 2010, Uadieli and Fagbemi 2012). Mathuri and Gilbert (2010) suggest that in order to develop CSR theory that is specific to Africa, it is essential to understand the institutions that drive CSR. In addition, they also suggest that these drivers should be able to address the issues that are targeted by the company as well as issues raised by the stakeholders.

Visser (2008) identified and use some of these drivers to propose the African content theory of CSR. The proposed model is rooted in the Millennium Development Goals developed by the United Nations (UN, 2006, as cited in Visser (2008)). Visser (2008) suggested that both institutional and stakeholder theories are not applicable theories for CSR in African context and thus proposed an adjusted CSR pyramid (different from what Carroll proposed) known as the CSR pyramid for developing countries.

Uadieli and Fagbemi (2012) based their proposed model on what CSR is understood to be in Nigeria. They indicated that since CSR is aimed to remedy the effects of the oil and gas companies' activities on the local community, it should be designed and implemented in consideration of what it is aimed at. This suggests that companies must be able to establish positive relationships with their host community since relationships are an important driver of CSR in Africa. In line with this thoughts,



Darty-Baah and Amponsah-Tawiah (2011) proposed CSR models that are rooted in African cultural practices. Some of the models they introduced that are relevant to this paper include:

- a. African Renaissance: This model is based on the notion that African people developing initiation and models to solve African problems. The model is focused particularly on poverty and security and has roots in the social obligation of kinship. This model suggests that companies operating in Africa should develop the culture of kinship with its constituents.
- b. Sanctity to Commitments and Deference of Ranks: This model seeks to ensure that as it is obtained in an African community, organizations should be committed to mutual obligation and establish power relations that minimises the distance with their stakeholders. The model has its roots in traditional African ruler-ship. In addition to obtaining legitimacy from inheritance, African rulers are often skilled in some community-respected areas, including warfare or religion. This model, therefore, suggests that organizations should in addition their business objectives, draw some strategies to meet local commitments. As traditional ruler-ship demands, organizations can in addition earn respect from what their environment can only get from them. In addition, the model suggests that whatever is mutually agreed upon between organizations and stakeholders must be met.
- c. Other models that are rooted in African traditional values include Ubuntu, which is being open and available to others, and Omoluwabi, which focuses on individual character as the primary true asset.

Western models have also been used to explain CSR practices in Africa. Lindgreen, Swaen et al. (2009) investigated CSR practices in eighty-four organizations in Malawi and Botswana using a model developed for US companies and established that those practices do not differ significantly. Phillips (2006) used a US-developed model to survey five-thousand people in Nigeria. The result of the survey revealed that almost all of the CSR drivers identified in Amaeshi, Adi et al. (2006) were similarly identified using the developed countries model.

#### **4.5 Conceptual Framework**

CSR is considered to be a complex adaptive system (McIntosh 2003, Seitanidi 2008). The complex adaptive systems framework seeks to understand the interrelatedness and interdependent nature of all of the constituent parts of a system. The framework provides a holistic view of interactions and feedback processes both within and outside the system. One of the most important considerations in understanding complex adaptive systems is the knowledge that interactions between components is not unidirectional and is nonlinear. The actions by one member of the system inevitably spur reactions and/or responses from other members of the system. Each component part of a system put together makes the whole system, one small action of a system member could result in a huge effect on the whole system, a phenomenon called the butterfly effect (Lorenz 1995, Martínez and Agüero 2008).

In summary, complex adaptive systems are dynamic, meaning that the behaviour of the system at one point in time influences the behaviour of the system at a later point. These systems are nonlinear, following exponential mathematical relationship rather than additive (exponential:  $5^6$  rather than additive:  $5 + 6$ ). Adaptive systems move beyond reactive and proactive towards a predictive and multidimensional understanding of concepts, taking all three levels of analysis (microanalysis, mesoanalysis, and macroanalysis) into consideration (Seitanidi 2008). In terms of CSR, oil and gas companies and stakeholders, CAS can be used to explain issues of criminality, such as oil facility vandalism and kidnap for ransom. A CSR action or inaction may mitigate or spur such criminal action

by the stakeholders, which in turn may affect the economy of the country and the profitability of the company involved.

Complex adaptive system approaches were used by authors to understand CSR as a concept. For example Cordobs (2007) used the systems thinking approach to understand organizational purposes for adopting particular policies or initiatives, including choice or identification of legitimate stakeholders and to reflect on potential impacts of organizational activities on the society. Svendsen and Labarge (2005), Arias (2008) used the principles to evaluate and understand the challenges of implementing CSR. Arias (2008) used systems thinking, particularly CAS principles, to gain systemic comprehension of the impacts of CSR practices with a particular focus on defining boundaries for implementing CSR.

In the Nigerian oil and gas industry, research by Frynas (2005), Frynas (2006), Frynas (2009), (Phillips 2006), Obalola (2008) and Amaeshi, Adi et al. (2006) indicated Multinational oil and gas companies, who constitutes a major part of the industry, of complacency and arm twisting CSR practices. Based on the findings of research, CSR is represented in Figure 1 and Figure 2. In the two figures, the oil and gas companies' operating environment as well as how that environment is infested with various complex systems is depicted. In the figure, a potential company's CSR and some of its drivers as identified in the literature is also depicted. The double edge arrows indicates that each of the factor affects organizational operations and in turn are affected by it.

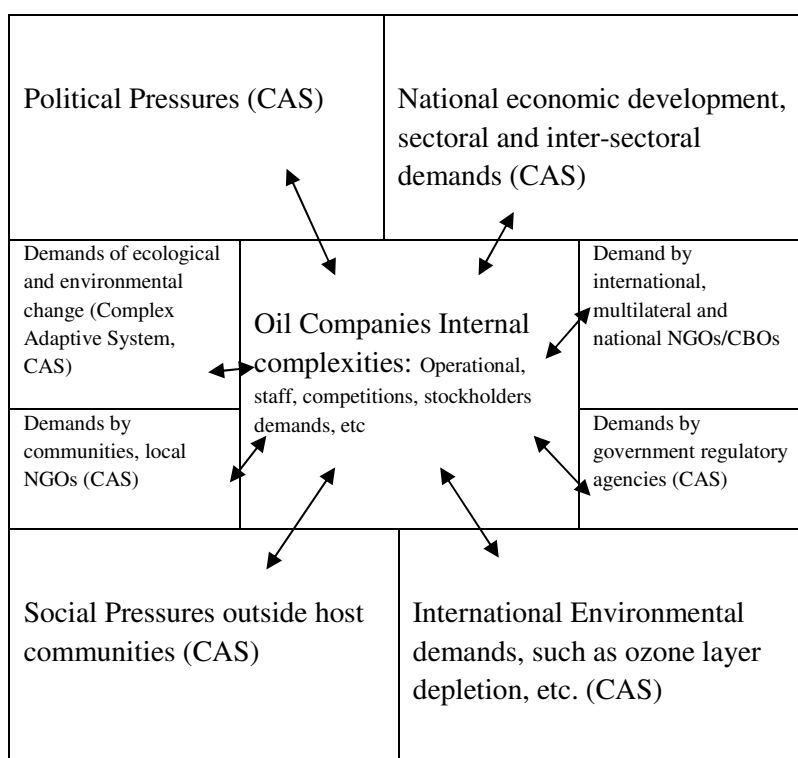


Fig. 1: Oil and Gas Companies and complexities

## 5. Research Methodology and Design

This paper used Mixed-methods research design methodology. Creswell (2007), Creswell (2009) suggests that Mixed method research is appropriate when a large variety of issues need to be addressed or when there are numerous research paradigms from a range of disciplines characterized by different levels of analysis. CSR as a complex concept is that involves variety of interests, ranging from



their sustainability programs to reflect the principles, practices, and policies of the companies. Result of the web content analyses provides further insight into CSR activities in Nigerian oil and gas industry

In addition to website content, sustainability reports for (SPDC 2015) on Shell Petroleum Development's website was studied in order to validate some of the information the company states on its sustainability (CSR) web page. Shell is used as a reference for validation for three reasons: it has received bad environmental pollution publicity around the world (Frynas 2009) and it has the biggest oil interests in the upstream and midstream sectors in Nigeria's oil and gas industry (Frynas 1998). It was also the first entrant in the industry in the mid-1950s (Boele, Fabig et al. 2001). Results of the analysis from the website contents, the literature, and the sustainability reports indicate that sixty-two issues were recurring the most frequently. These issues were categorized into: a. the definition and definitional constructs of CSR, b. the drivers of CSR, c. the practices of CSR by oil and gas companies, d. the acceptance of CSR practiced by the companies, e. the impact and effects of legislations, f. the host community's views on CSR, and g. the relationship between organizational leadership and CSR.

These 7 concepts formed the basis for the next stage of the research process, the action research process. The next sub-section explains the action research methodologies adopted.

## 5.1 Action Research

Action research represents a family of research approaches that encourages collaboration in problem-solving, providing people with the means to take systematic action in an effort to resolve an identified problem. Most often, this is specific to the context in which the problem is identified (Checkland and Holwell 1998, Patton 2002, Creswell 2007, Mulej 2007). Action research deduces theory from action and have the advantages of generating ideas from a pool of expert at the same time. Action research is a research practice that involve practitioners in continually reflecting on a phenomenon under and reflecting on individual behaviour-in-action. This description qualifies action research as a methodology of choice when dealing with complex social issues.

In the family of action research, Soft System Methodology (SSM) stands as a methodology that promotes the understanding of issues as a matter of coming to terms through systemic concepts with meaning construction (Checkland 1999). SSM seeks to converge individuals' world views in the process of solving problems and also encourages immediate action on the converged perspectives. Checkland introduced SSM as a seven-stage process. As suggested by (Mingers 2001), combining methodologies becomes helpful when the issues in consideration are complex and when such methodologies are thought to be interdependent. In CSR research, combining methodology is helpful in understanding different perspectives of the varied stakeholders on meaning and practice. In line with dialectical system theory (DST) is found to combine well with SSM to resolve issues such as those that border around the definition of CSR and its focus. DST consists of a system of interdependent and crucial viewpoints dealing with current issues (Mulej 1976, Mulej 1977). Those issues that require systemic evaluation can be regarded as a system, taking into consideration all related elements within and around the issue. Knez, Mulej et al. (2006) used DST to explain how complexity in CSR require its holistic consideration in order to ensure efficiency and effectiveness in

understanding CSR. O' Connor, Shumate et al. (2008) utilize the action research approach to derive meaning and attributes that women assign to corporate social responsibility in South Africa.

In line with the above and in order to make meaning out of the concepts mentioned above, an Action Research Team (ART) comprising of twelve members was assembled. First a letter of request detailing what the research involves was written to members organizations. The letter request organizations to assigned personnel knowledgeable in CSR to form a team to discuss the 7 concepts. The members were drawn from oil and gas companies (four members), public officers (two regulators in the oil and gas industry and two from the national planning and finance ministries), a civil society activist, host community representatives (two members), and an independent academic researcher (this was written to directly and not through institution). The team met twice a week for five weeks and for an average of two hours per meeting. ART design, using SSM and DST principles, a three-page, seventeen-question questionnaire which was to be distributed to the general public in line with the seven concepts above. Validity and reliability testing was conducted on twenty-four respondents that were nominated by members of the ART with the understanding that no member will inform the person he/she nominates. Each of the members provided two email addresses of individuals that either work in sustainability departments of their organizations or are in any way interested in sustainability and CSR. A sample of the questionnaire was emailed to those individuals. None of the members spoke to the person he/she recommended so that the respondents were not aware of who were involved in the research. All questionnaires sent were signed by the ART facilitator. At the end of the one-week collection time, only seven out of twenty-four people responded. The panel met for the last time to reconsider the responses and determine if there were ambiguous questions that needed reconsideration. Two questions were reworded, and two others were merged.

With the final questionnaire approved by the team members, the third stage of the research process commences.

## **5.2 The Survey**

SurveyMonkey<sup>R</sup> software was used for the survey. After the survey design, a web link was emailed to 1023 respondents who were found to meet the survey criteria. Respondents were recruited from oil, gas, and energy LinkedIn groups. More than 5000 members' profiles from six different groups were studied. A total of 1023 members were found to meet the following criteria: must be in current working status, must be working in an oil and gas company in Nigeria, must have worked for at least one year, must be in an oil and gas company in the upstream or midstream of Nigeria's oil and gas industry, must be working in sustainability/CSR departments and be in one of the identified companies studied. The potential respondents were sent consent emails asking them if they wanted to participate in a sustainability survey. In all, 2224 emails and reminders were sent, and 173 potential respondents consented. A web link of the questionnaire was sent to the 173 potential respondents. After one week, forty-one individuals (approximately 24%) responded by completing the questionnaire.

## **5.3 Data Analysis and Results**

Data was principally collected in order to determine six things: the meaning and understanding of CSR, drivers of CSR, principles of CSR, practices of CSR, policies on CSR, and individual respondents' opinion on organizational principles, practices and policies, or as Amaeshi, Adi et al. (2006) described as waves, issues, and modes. In addition, two hypotheses were tested. The first test was to investigate the respondents' opinion on drivers of CSR in the Nigerian petroleum industry. It is



thus hypothesized that all drivers of CSR in the Nigerian oil and gas industry were equally influential on CSR practices. To test this hypothesis, one sample chi-square test was conducted. The respondents' choice was restricted to identifying which of the six factors was likely to influence CSR more than the other five in their organizations. The aim was to capture the most influential factors while acknowledging that the others were also influential. The results are presented in Table 2. A further test was conducted between two of the drivers as presented in Table 3.

	Observed N	Expected N	Residual
Company policy	11	6.8	4.2
General management or organizational leadership	5	6.8	-1.8
Middle-level management	2	6.8	-4.8
Staff union	2	6.8	-4.8
Government regulation	14	6.8	7.2
Host community pressure	7	6.8	0.2
Total	41		

Table 2. Chi-Square Test Result for One-way Frequencies

Chi-Square 17.390<sup>a</sup>  
 Df 5  
 Asymp. Sig. .004

From Table 2,  $\chi^2(5, 41) = 17.80$  with a p value of .004. This indicates that the drivers identified are all accepted by respondents as drivers of CSR. In order to determine order of influence in the drivers of CSR, identified drivers were paired, it was determined that company policies and government regulations are the only pair of factors that are equally influential as drivers of CSR practices in the oil and gas industry in Nigeria. The result is presented in the following table.

Drivers of CSR: What Drives CSR Thinking in Oil and Gas Companies?				Test Statistics	
	Observed N	Expected N	Residual		
Company Policy	11	12.5	-1.5	Drivers of CSR: What Drives CSR Thinking in Oil and Gas Companies?	
Government regulation	14	12.5	1.5	Chi-Square	.360 <sup>a</sup>
Total	25			Df	1
				Asymp. Sig.	.549

Table 3. Cross Tabulation and Chi-Square Test for Drivers of CSR and Type of CSR Practices Frequencies

The p value is 0.549, so we accept the hypothesis that government regulations and company policy are equally influential in driving CSR in the Nigerian oil and gas industry.

What, then, is the associated relationship between CSR drivers and CSR practices in the industry? Are these drivers equally influential on these practices? It is hypothesized based on the literature (Amao 2008, Lazano, Albareda et al. 2008, Mathuri and Gilbert 2010) that the drivers are not equally influential on organizational CSR practices in Nigeria's oil and gas industry. The returned results are presented in the table below:

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	<b>146.868<sup>a</sup></b>	<b>50</b>	<b>.000</b>
Likelihood Ratio	<b>113.935</b>	<b>50</b>	<b>.000</b>
Linear-by-Linear Association	<b>33.450</b>	<b>1</b>	<b>.000</b>
N of Valid Cases	<b>41</b>		

**Directional Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.	
Nominal by Nominal	Goodman and Kruskal tau	Symmetric	<b>.645</b>	<b>.064</b>	<b>8.004</b>	<b>.000</b>
		Request Profile Project or Programme Request Profile List Dependent	<b>.486</b>	<b>.084</b>	<b>5.389</b>	<b>.000</b>
		Drivers of CSR: What Drives CSR Thinking in Oil and Gas Companies? Dependent	<b>.852</b>	<b>.074</b>	<b>6.126</b>	<b>.000</b>
	Uncertainty Coefficient	Request Profile Project or Programme Request Profile List Dependent	<b>.447</b>	<b>.026</b>		<b>.000<sup>c</sup></b>
		Drivers of CSR: What Drives CSR Thinking in Oil and Gas Companies? Dependent	<b>.850</b>	<b>.032</b>		<b>.000<sup>c</sup></b>
		Symmetric	<b>.724</b>	<b>.036</b>	<b>15.775</b>	<b>.000<sup>d</sup></b>
Nominal by Nominal	Goodman and Kruskal tau	Request Profile Project or Programme Request Profile List Dependent	<b>.613</b>	<b>.043</b>	<b>15.775</b>	<b>.000<sup>d</sup></b>
		Drivers of CSR: What Drives CSR Thinking in Oil and Gas Companies? Dependent	<b>.883</b>	<b>.038</b>	<b>15.775</b>	<b>.000<sup>d</sup></b>

Table 4: Result of Two-way Chi-Squared Test

The table above presented test result,  $P = 0.000$  at chi-square value of 146.868, and the hypothesis that CSR drivers are not equally influential on CSR practices in the industry is accepted. Furthermore, all directional measures in the Directional Measures table are positively significant, indicating that identified drivers are not equally significant in the industry. This type of practice can thus be an indication of the CSR drivers. This may explain the reason for varying CSR practices across company type, as CSR practices differ across companies that are local and those that are international (Mathuri and Gilbert 2010).

It may be explained that and as indicated by the result above, the type of practice by companies is related to the individual identified drivers. This test also confirmed our first hypothesis in a manner one can refer to as positive test confirmation strategy (Klayman and Ha 1987). To create values in developing economies through CSR practices, one may extend McPhee and Wheeler (2006)'s suggestion on businesses to government policies. According to McPhee and Wheeler (2006) policies (and legislations) should be created for CSR strategies to be focused on value creation along the value chain of the entire national economy.

## 6. Discussion

Assuming that corporate social responsibility is a hotly contested construct, this exploration of CSR in the oil and gas industry in Nigeria has indicated the assertion in various works (Carroll 1999, Frynas 2009) that CSR has many drivers and means different things to different individuals. However, for the Nigerian oil and gas companies studied, the result of a one-way chi-square test indicates that not all of the six identified drivers of CSR are equally influential on CSR practices in the oil and gas industry in Nigeria. Similarly, only two of the six identified drivers are likely to influence CSR practices equally.

These drivers were compared pair-wise. The first pair was between company leadership and host community agitations, and the second pair was company policy and government regulations. Each of these two pairings could lead to substantial principles, practices, and policy direction for the oil and gas industry in Nigeria.

Host community agitation is context-specific and may arise from different sources and for different reasons. It may also be disruptive to the organizational operations, so it needs to be immediately addressed so the organization can run smoothly. Therefore, it is incumbent upon organizational leadership to devise a means of addressing host community agitation before it is disruptive.

As indicated elsewhere (Watts 2005) oil operation is inherently conflicting and violent for several reasons. These reasons could be perceived or real but are mostly due to human rights violations as oil extraction is characterized with such violations (Watts, 2005). Violence and disruptions could also result from oil companies' approaches to and the companies' relationship with their host communities. Frynas (2005) indicates that oil companies failed in their promises to develop their host communities because these companies often derail from the proper development process doing what is not required within the communities. Rather than what the communities want, oil and gas companies have straight jacketed approach to community development. In an attempt to force the pill of their concept of development into the throat of their host communities, oil and gas companies create negative externalities and impressions on the host communities, resulting in disruption and violence. However, Akpan (2009) indicates that oil companies are not government entities and that social provisioning is a government responsibility. It was, according to Akpan, due to the failure of governments that oil companies stepped in to assist communities, and when these oil companies fail, communities become

agitated and disruptive. If governments did not abandon its responsibility in social provisioning, businesses would not need to step in to take over. As businesses took over those responsibilities, citizens looked upon those businesses to provide for social amenities, raising hope and awareness within the community. According to Akpan, government is responsible for the lack of development and eventual disruption and violence. However, as Akpan admits, these corporate interventions disrupt government programmes and could be counterproductive to development drives in those areas, as developments could be skewed and may even spark unrest in communities that have not benefitted from the gesture. Contrary to Akpan's views, George (2012) attributes the crisis in the oil province of Nigeria to irresponsible activities by the oil companies.

Regardless of the reason for host communities' agitations, these agitations need to be addressed to ensure safe operations by oil companies. As these agitations could be instant and sudden in some cases, as in sabotaging oil supply lines or kidnapping oil workers, it is up to each organization's leadership to take prompt and decisive actions. It is in the best interest for these companies to be proactive rather than reactive. Oil and gas companies should devise ways to avert these 'criminal' actions rather than react to them.

The second pairing that is equally likely to influence CSR practices in the oil and gas industry in Nigeria is the pair of company policy and government regulations. In vulnerable areas, multinational companies flaunt local countries' jurisdictions, and as such, these countries find it difficult to control them (Amao 2008). Shell's reports (SPDC 2015) indicates how the company abides by extent legislations in their areas of operations. Although authors (Amao 2008, George 2012) have indicated contrary opinion, it is also the responsibility of government, Lazano, Albareda et al. (2008) opine, to determine what the focus of CSR should be or even what should form its definition through legislation or policy. The right way to start, as indicated in this research, is to initiate proper and adequate regulations and policies that address issues related to CSR, including the creation of lasting values. It is also pertinent to create convenient ways to handle issues of trust and credibility between oil and gas companies and their host communities. Trust is essential for both the company and the host communities. Example, in a study conducted on the Nigerian Banking and Communication industry, Adeyanju (2012) establishes that there is a significant relationship between the societal progress in environmental and economic growth and CSR practices in the two industries. Adeyanju advocates for improvement in the depth of participation of CSR practices in national growth, particularly in security and technological advancement.

From the above and in line with Nonaka (1988)'s suggestion when situations becomes chaotic organizations can self-renew themselves. Self-renewal of an organization can be seen as a process of dissolving an existing organizational order and creating a new one. In line with this suggestion, CSR practices in the oil and gas industry in Nigeria need to be given a deserved vigor in terms of the pattern of resource deployment, in terms of organizational structure, and in terms of principles, practices, and policies.

In the next section, a pathway to CSR practices for creating values in national development is developed. It is believed that this pathway will give CSR practices a new vigor in the developing countries.

This pathway assumes that CSR practices are generally geared to align corporations' values with societal values and expectations. The triple bottom line theory, Millennium development goals the Bali convention and numerous other conventions, and research all attribute to the need for

organizations to align their values with those of the society. As indicated in Darty-Baah and Amponsah-Tawiah (2011), there are various African traditions that point to aligning individual values to the collective values. 'A stone and a thousand pebbles' pathway is a fallout of a popular local African Hausa singer called Shata (Sheme, Albasu et al. 2006, Salamone 2010). In one of his numerous songs, Shata indicated that for communities to effectively grow, the processes of growth should take numerous factors into consideration, including the community itself, its neighbors, and the society at large. This means that for an individual to grow, he/she must necessarily consider the growth of his/her neighbors and the entire community in which he/she lives.

For organizations operating in the oil and gas industry in Nigeria to grow, consideration must be given to the host communities in which they operate and to the larger social system of Nigeria. This point is corroborated from the research results presented and discussed in section 5. As oil and gas companies operates in a complex setting, it is essential for these companies to find an effective way of achieving their business objectives taking into cognisance their operational context.

A pathway to effective CSR practices in the developing countries is presented below in Figure 4. This model consists of three components, the first of which is meeting numerous community requests for projects and programmes, otherwise referred to as “a thousand pebbles.” Individual communities may have different requests to be met. For example, one organization that is operating in ten different communities might have ten divergent requests. For organizations to avert disruption in their operations, each of these individual requests needs to be met. Therefore, organizations need to strategize to meet this horde of community requests through explicitly planning for them and then executing them in conjunction with the benefitting communities.

The second component of the model is the major intervention that organizations must be able to plan to meet expectations of the developing countries that they are operating within. This second point forms the stone stage. At this point, organizations need to tune in to the third stage, which is the national development plans. Oil and gas companies must be able to design intervention programmes in conjunction with the relevant government agencies so that interventions meet the plans of government, especially regarding economic growth and national development. Projects/programmes must be thoroughly defined, planned, implemented, and monitored to ensure that they meet derivable benefit to the economy. These interventions might be industry-specific (such as industrial development, education, or commerce) or environment-specific, such as greening the environment or engagement in agricultural development. Interventions should also be targeted at long-term, medium-term, or short-term economic development. It is each company’s responsibility to adjust its CSR policies to fit the needs of the government in collaboration with the relevant agencies of government.



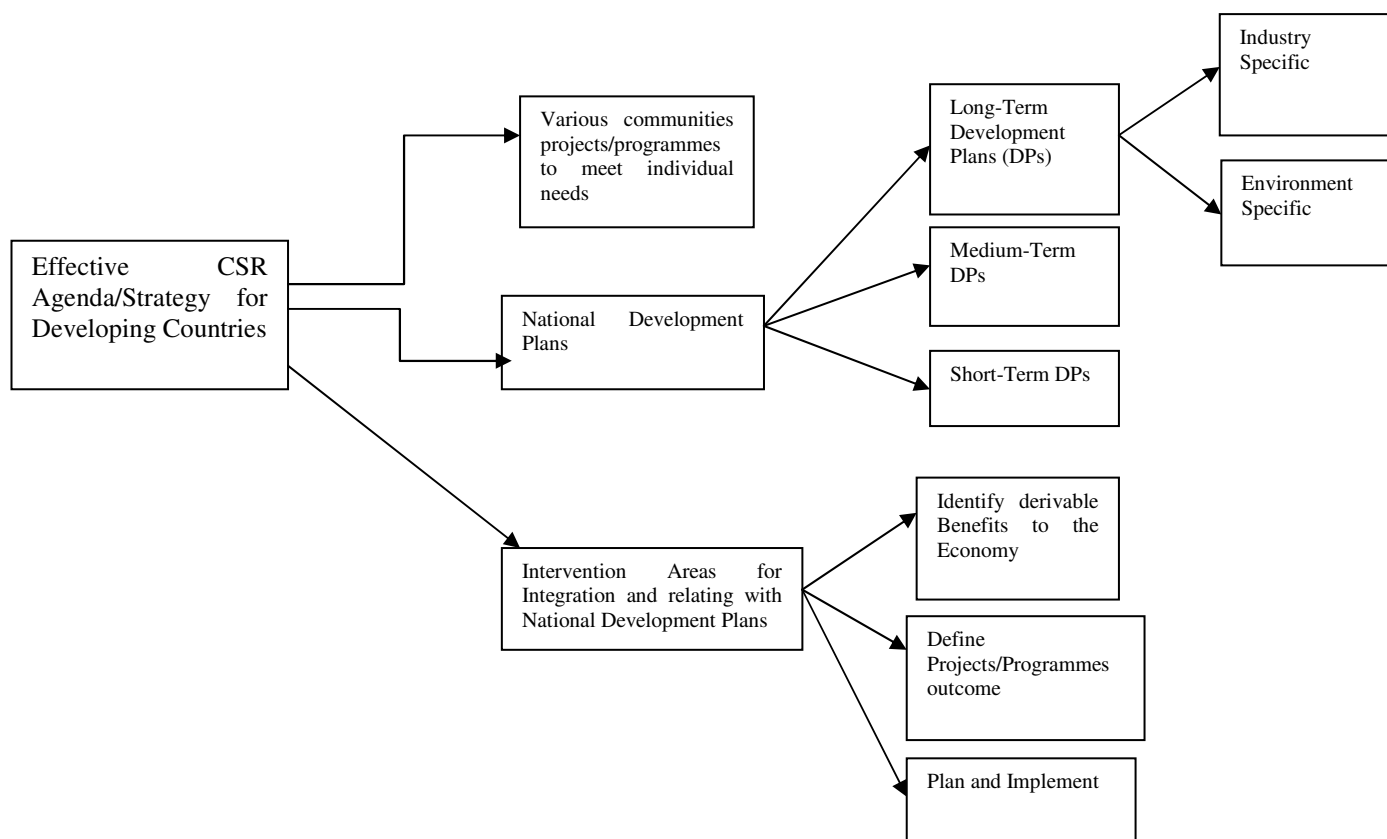


Figure 4. A Stone and a Thousand Pebbles: Pathway to Effective CSR for Developing Countries

To demonstrate the above model, a hypothetical example may be considered. An example can be given with Knowledge production in Nigeria. For this case, a hypothetical figure of \$10 million U.S. dollars (USD) is budgeted by each of the seventy-eight oil companies in Nigeria. Only 50% of the budgeted figure is available for the big stone (long-term development plans in line with national development goals), and the remaining 50% is budgeted for the thousand pebbles (numerous community development projects/programmes). If \$5 million are available for each of these and only the seventy-eight oil companies to invest, then there will be \$390 million to invest on knowledge production in a year. If a medium term is of 3 years is considered over USD1bn is available for investment in the three years. To further identify deliverables, one can say that to produce knowledge in the Nigerian economy, we need to advance the educational system, create a culture of innovation, expand innovation and education infrastructure, ensure basic education for all children, and improve the business environment. As cultural practices differ in Nigeria, and in order to ensure the monitoring and evaluation of target deliverables, each section of the country can be considered for implementation of a deliverable or two.

## 7. Conclusion

This paper reviewed corporate responsibility theories and models that are operational in the developed countries, where legislation and government policies are strictly adhered to and followed, as well as in developing countries, where legislation and policies are often not followed by multinational organizations. The paper indicated that, whether CSR is a necessary requirement for organizations or is considered a voluntary activity, it is important for the economic growth and development of most

developing countries. Developing countries and oil companies, either national or multinational, can team up with governments to achieve economic growth and development. Interventions by oil and gas companies can be classified into two major issues: “a thousand pebbles,” or numerous small projects executed within host communities, and “a big stone,” aimed at helping countries to develop economically and environmentally. In pursuing the big stone, oil and gas companies could aim at long-term, short-term, or medium-term plans, and the big stone could be industry-specific or environment-specific.

This research presents interesting findings. However, it is severely limited by the amount of data obtained. In further research, data harvesting techniques must be refined in order to get more information. In this work, respondents were asked to complete the questionnaires so that their honest opinion was obtained. Going through organizations may not give an unbiased opinion since Nigerian oil and gas companies restrain their employees from participating in research and market surveys. Ideally, future research should obtain unbiased information from the respondents. Again, this research did not seek the opinion of the host communities, as it is assumed that their opinion is reflected in the requests they make to the oil and gas companies. Further research should seek to include all stakeholders, including host communities. It should also be noted that most of these communities are in areas where internet access is restricted, so the data collection method also needs to change.

### 7.1 Theoretical Implication

Findings in these research extend the CSR literature by proposing a theoretical model that is of value to both the developing countries, in terms of economic and environmental development, and to the oil and gas host communities, in terms of solving the numerous problems for the immediate community such as provision of healthcare and poverty reduction. Indicating the importance of proper definition as suggested in Carroll (1999) across oil and gas industry in Nigeria. These findings also extend the literature on drivers of CSR in various operational context and as suggested by a number of authors (Amaeshi, Adi et al. 2006, Baskin 2006, Frynas 2006) these drivers influence CSR in an unequal way. In the Nigerian context, different identified drivers influence CSR practice in a different manner. However legislations and organizational policy on CSR have been found to influence CSR on equal proportion. This last point means that it is essential for research working on CSR in developing countries to evolve effective CSR models, particularly, those that are rooted in the traditional values of the host communities and have government to legislate on working with those models or convince the organizations to adopt them as context-specific.

### 7.2 Practical Implication

Managers in the oil and gas industry can develop CSR strategy that is context specific and that will be in line with the need and aspirations of both the country at large and their immediate host communities. Straight-jacketed SCR strategy often as directives from the head office fail to achieve needed aim within Developing countries settings. Also ‘placebo as medicine’ approach to CSR or CSR as philanthropic gestures no longer hold in most of these communities and as such the approach need to change. This research has explored ways and means through which management can adopt and get the required response from the host communities and as such enhance organizational performance.

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