

Unethical business practice of bribery by shell



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1. 3 Introduction

As globalization increases many organizations indulge in unethical practices to achieve growth and profit maximization. Consequently, the examples of such companies include L'Oreal, Nike, Wal-Mart, Shell etc. Shell, is a global group of energy and petrochemical companies. They have their headquarters situated in Hague, the Netherlands. The parent company of the Shell group is Royal Dutch Shell plc, which is incorporated in England and Wales. Shell's operated in more than 90 countries and has an approximate of 93000 employees. Their production mainly consists of forty eight percent of natural gas and around 3. 3million barrels of gas and oil is produced per day. Shell has established forty three service stations worldwide. According to a survey conducted in 2010, they've sold an estimated 145 billion litres of fuel. The Company has two main streams, upstream - which explores for and extracts crude oil and natural gas and Downstream - which refines supplies, trades and ships crude worldwide, manufactures and markets a range of products, and produces petrochemicals for industrial customers. According to their financial report of 2010, with the capital invested of \$30. 6 billion and \$1 billion in Investment in research and development, they had an income of \$20. 5billion with revenue of \$368. 1 billion (Shell, 2010).

1. 4 Historical Background

Shell was born during days of the oil boom and started out in the shadow of John D. Rockefeller's Standard oil monopoly. Royal Dutch/Shell was the result of a merger in 1907 between the British-based Shell Transport and Trading Company, which pioneered the use of seagoing oil tankers and the Royal Dutch Petroleum Company, which made its fortune developing new oil fields

in Borneo and Sumatra. Marcus Samuel was an enterprising fellow who decided to greet ships returning to England from India, Japan, Africa, and the Middle East and offer to buy any trinkets and curios that sailors had collected abroad. In the 1890s, the French Rothchild family decided to go into business exploiting the oil fields opening up in Baku in Russia. Needing a partner to help them transport and sell the oil, they turned to Marcus Samuel the younger. After a brief trip to the Caucasus, Marcus Samuel decided that the only way to take on the near monopoly grip that Standard Oil held was to radically reduce oil transportation costs. During that time kerosene was transported in crates of tin containers. Loading the fuel into these relatively small containers, crating them, and loading them onto ship as time consuming, expensive and inefficient, Samuel argued. It would be much preferable to just pipe the oil into a tanker ship. In 1907, Sir Marcus Samuel and Henri Deterding merged the Shell Transport and Trading Company with the Royal Dutch Petroleum Company to create Royal Dutch/Shell. The company is owned forty percent by the Shell Transport and Trading Company and sixty percent by the Royal Dutch Petroleum (History of Business, 2010).

In the 1980s, Shell sought to grow through acquisition. It bought out the remaining 30% shareholding in Shell Oil in 1985 to consolidate its American operations.

The 1980s saw the development of offshore exploration projects, which were in much more challenging conditions than had previously been attempted.

The 1990s Shell saw the technology of biomass fuels and Gas to Liquids make giant leaps forward. Shell was criticized over the Brent Spar episode in

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1995, which centered on its plans to dispose of the storage platform. The Group learned that public opinion had become much more sensitive to environmental issues. In the next decade, the Group worked much harder to open a dialogue with interested parties regarding its environmental impact and to develop good relations with the communities affected by its work.

Another problem to hit the Group arose from its presence in the Nigerian region of Ogoniland. The tribal minority in the Ogoni were aggrieved with the Nigerian government because they felt denied a proper share of federal revenues from the oil, and what they saw as other fundamental human rights. Their champion was the writer Ken Saro-Wiwa. The oil companies were targeted as “collaborators” with the corrupt government. Shell was accused of environmental despoliation. The story achieved international notoriety when Saro-Wiwa and eight of his colleagues were sentenced to death by hanging for their activities.

Shell has since strived to follow a policy of demonstrating its community of interests and reciprocal good feeling with both the governments and the local populaces it deals with.

The 1990s were notable for Shell for the development of the LNG gas business. Improved transportation and rising demand made this area of the Group’s activities increasingly important and are expected to continue to do so in the first decades of the twenty-first century (Shell, 2010).

1.5 Report Preview

This report examines various unethical practices of Shell. Firstly, it investigates upon the historical background of Shell. Moreover, we have <https://assignbuster.com/unethical-business-practice-of-bribery-by-shell/>

related Shell's immoral issues to the ethical theories. Along with these principles we also suggest some recommendations which could be reasonably essential for Shell to operate in a better and efficient manner. Finally, the report concludes with importance on ethics, corporate social responsibility and with our suggestion on its unethical action.

2. 0 Shells Unethical practices:

In 2010, Shell was accused of bribery practice with Nigerian officials in order to gain profit. Shell bribed Nigerian officials to make it easier for them to import goods and equipment, get lower taxes and avoid the customs. Shell said that it paid 2 million U. S Dollars to its Nigerian Workers in its deep water Bonga Project. Shell actually knew that part of the money will go to Nigerian officials whom will make shell avoid the customs process. This will give shell an obvious competitive advantage in the market. Shell actually gained \$14million profit from this bribery of the Bonga project. Shell will pay \$48. 1 million dollars in order to settle probes by the U. S Justice Department and Securities and Exchange Commission.

In January 2004, “ fraudulent overstatement of proven hydrocarbon reserves by Shell in Form F20 returns filed with the U. S. Securities & Exchange Commission”(John Donovan, 2007). Shell has given misleading and wrong statements about its reserves. It paid a \$120 million fine for this claims settlement.

One of the famous unethical practices by Shell was causing the high levels of pollution in Nigeria. 40% of shells oil spills worldwide was in Nigeria. The oil spill also caused water contamination. It caused oil pollution in the Ogoniland

region for the past 40 years or so. The pipelines were built in front of the people's houses and in their farmlands. They suffered oil leaks through the pipelines. This has totally destroyed the environment over there. It killed the aquatic life; killing many fishes. Also enveloped the land with oil. This has been really devastating for the Ogoni people, economically and healthy, since their economy depends mainly on fishing and farming. People suffered respiratory diseases such as bronchial asthma; and cancer. Lots of vegetation is dying, especially Mangrove swamps, due to wastes of oil in the Niger River. The reason Shell has been successful in doing these unethical practices in Nigeria is because they used to bribe the Nigerian officials frequently to ease the process.

Royal Dutch Shell Blames oil spills on sabotage to its equipment (Chima Williams, 2009). This explains how rude and unethically they take responsibility for their awful actions.

According to the Covalence ethical ranking in 2008, saw Shell in the 510 position out of 541 multinational companies. " Covalence' s ethical quotation system is a reputation index based on quantifying qualitative data" and " It is a barometer of how multinationals are perceived in the ethical field"(John Donovan 2009). The covalence ethical ranking is based on important issues such as Human rights policy, Waste Management, Labor standards and product social utility.

A research done by Management and Excellence in 2005 sees Shell as the number 1 most ethical oil company in the world. But by the end of 2011,

Shell's position is expected to deteriorate much due to the bribery scandal it suffered for the last few months.

2. 1 Conoco Phillips:

Conoco Phillips is a Non-government owned American oil and Gas Corporation. It's the 3rd largest of the oil majors worldwide. It works in all different aspects in oil and natural gas industry such as Midstream, Petrochemicals, and Refining and Marketing. The company was formed as a result of a merger between Conoco and Phillips in 2002. Its major competitors are Shell, British Petroleum and Exxon Mobil. Conoco Phillips is one of the few Oil companies that suffer unethical issues. According to Conoco Phillips, " Our mission is to do more than to deliver energy". It has a long term commitment to achieve the top ethical standards and create a culture that encourages honesty and responsibility in everything they do. Conoco Phillips values the importance of corporate transparency and ethics as they are a major drive for consumers and stakeholders' confidence. A proof of ConocoPhillips's environmental concern is that it spent \$80 million dollars to develop new technologies for unconventional and alternative energy sources.

ConocoPhillips is a member of the U. S Climate Action Partnership, which is a group of businesses, major corporations and environmental organization with a goal to pressure the U. S Government to reduce the greenhouse gas emissions. ConocoPhillips spent around \$150 million dollars 2007 on research and development of alternative energy sources and new technologies- which is almost a 50% increase compared to the \$80 million dollar spent in 2006.

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2. 2 Shell vs. ConocoPhillips

Shell is the 2nd biggest company in the world in terms of revenue, which makes it more profitable than ConocoPhillips (16th). Actually, after the recent bribery issues about Shell, its position will eventually drop in the next few years. They will suffer from employee turnover, loss of company reputation and lots of other disadvantages which will not enable them to be more profitable like before. Whilst for ConocoPhillips, it's very predictable that this company will get closer to Shell in terms of revenue and why not surpass it, due to its ethical practices! That's why Shell should have good ethical policies like that of ConocoPhillips and actually adapt this policy and not violate it.

3. 0 Recommendations and Facts:

3. 1 Recommendations

First of all if Shell wants to get back its reputation after the Nigeria bribery incident, they have to change their vision, not the written vision statement, in fact they have to change their insight toward the business they are doing and try to change their practices in a way that help and satisfy people instead of hurting them. They should keep in mind that business is not about gaining profit from whatever way, rather it is about gaining profit from providing services in a way that satisfies customers and if they act ethically eventually they will gain enough profit as they have satisfied people behind their back who support the company (Tempo, 2005).

Shell should be considered guilty in this case and be fined for their unethical business practice. Furthermore, Nigerian government should be accountable and responsible for their action as well. The amount of fine that usually
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determined by courts should be either used for research purposes or as financial aid to help people around the globe. If they do so, Shell will force to do something that they escaped from and try to improve their instruments and facilities by doing research and development instead of trying to gain profit without thinking about safety and effects of their action on stakeholders (Tempo, 2005).

More strict rules and regulations regarding the bribery issue and control of governments over their companies can lead to termination of bribery in long term. If Shell maintains a strict No Bribe policy, in long term bribe takers won't ask for it anymore. Then even if they fail in their business they won't blame themselves for paying bribes and they will know that there was something wrong with their facilities and services.

3. 2 Facts

The main reason that shell wanted to bribe Nigerian government was that they wanted to pay less taxes and easier import of their needed equipment, which eventually leads to higher profit. Thus they only looked for profit and to reach that, they choose bribery as an unethical practice. They shouldn't do that because even if we don't consider bribery as an unethical practice it was illegal and against law in Nigeria, however we know that bribery is an unethical practice indeed. The next thing is that bribery encourages corruption, and this action hurts the poor the most as they have to pay for something which is free and they get into trouble for paying the amount, because they cannot afford it. When a large company like Shell practices, in this case bribery, which is defiantly unethical, this act will spread to the whole society and affect the society in large (Tempo, 2005). Moreover when <https://assignbuster.com/unethical-business-practice-of-bribery-by-shell/>

you start paying bribe for the first time it leads to demand for more bribes and work as a kind of temptation. So it is better never start it. Aid agencies trying to provide free services for those who need help and it is not morally accepted and expected from officials to try to make money from those services that supposed to be free. We believe and agree that Shell did something which is morally wrong and ethical person won't advocate it, but there is a positive point in shells' case. Shell accepted that they did an unethical and wrong action and admitted their mistake, they also agreed to pay \$48m in criminal and civil fines. However shell had to admit their mistake but still we can consider it as a positive movement from shell and we can hope that Shell try to be an ethical company from now onwards, stop their unethical business practices and try to gain profit while following ethical business practices (Temp, 2005).

4.0 Conclusion

In conclusion, we all agree that bribery is an unethical business practice and it is not expected from large company such as Shell to practice such actions. It is not only the case that Shell paid bribe, the most important thing is that such actions, eventually leads to corruption of society which all of us believe to be destructive. Shell can follow Conoco Phillips and invest in research and development and try to improve its facilities, and by doing this they might earn less profit in the short term but they can be proud of themselves by being an ethical company and gaining more profit than their competitors in the long term as they will have new technologies and facilities in future because they invest in research and development today. Shell Should be accountable for what they did and be responsible for their unethical behavior

and try to stop such acts in future if they want to build their reputation again as people and stakeholders won't trust Shell as long as they continue being unethical. However if Shell really wants to be changed and get back its reputation they can do it by clarifying their vision among themselves and act ethically.