Stakeholder and social contract theories

The stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization (Philips Robert & Freeman , 2003). R. Edward Freeman in the book Strategic Management: A Stakeholder Approach identifies and models the groups that he describes as stakeholders of a corporation. He also describes and recommends methods by which management can give due regard to the interests of the various groups. In a nutshell, the theory, as formulated by Freeman, attempts to address the " Principle of Who or What Really Counts" (Freeman 1984).

The Stakeholder Theory of an organization is used as a basis to analyze those groups to whom an organization should be responsible. As described by Freeman (1984), the firm can be described as a series of connections of stakeholders that the managers of the firm attempt to manage. Freeman's classic definition of a stakeholder is " any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984). Stakeholders are typically analysed into primary and secondary stakeholders. Clarkson (1995) defines a primary stakeholder group as " one without whose continuing participation the corporation cannot survive as a going concern", with the primary group including " shareholders and investors, employees, customers and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due". The secondary groups are defined as " those who influence or affect, or are influenced or

affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival".

The diagram above shows a number of important stakeholder groups. Like customers, suppliers, employees, and local communities, government etc all have a stake in, and are affected by, the organization's success or failure (Donaldson and Preston, 1995). Stakeholder theory argues that every legitimate person or group participating in the activities of a firm do so to obtain benefits and that the priority of the interests of all legitimate stakeholders is not self-evident

The implication of this theory to the study is that the firm or organization has to perform different roles to the various stakeholder groups. The firm and its managers have special obligations to ensure that the shareholders receive a " fair" return on their investment; but the firm also has special obligations to other stakeholders, which go above and beyond those required by law. For example, the employee is one of the primary stakeholders'. Safety and welfare of its employee should be well taken care of to ensure the continuity and profitability of the firm. Sometimes there may be a conflict of interest. In cases where these interests conflict, the demands and interests of some stakeholders, including shareholders, must be moderated or sacrificed in order to fulfil basic obligations to other stakeholders.

2. 1. 2 Social Contract Theory

Gray, Owen and Adams (1996) describe society as ' a series of social contracts between members of society and society itself'. In the context of CSR, an alternative possibility is not that business might act in a responsible

manner because it is in its commercial interest, but because it is part of how society implicitly expects business to operate.

Donaldson and Dunfee (1999) develop Integrated Social Contracts Theory as a way for managers to take decisions in an ethical context. They differentiate between macro-social contracts and micro-social contracts. Thus a macro-social contract in the context of communities, for example, would be an expectation that business provide some support to its local community and the specific form of involvement would be the micro-social contract. Hence companies who adopt a view of social contracts would describe their involvement as part of ' societal expectation' – however, whilst this could explain the initial motivation, it might not explain the totality of their involvement.

The implication of the theory is that managers must realized that by providing for the welfare of their employee through micro-social contract they are indirectly also taking care of the communities because injury to workers in the course of duty sometimes affects the family and extend to the community.

This interesting phenomenon could be generally described as a situation whereby in addition to their profit maximization interest, organizations also display that tendency to consider societal interest by taking on a massive the responsibility for the impact of their activities on employees, customers, suppliers, stakeholders and local communities in which they operate not forgetting their environmental obligations as well. These obligations stretch beyond the ever pressing need for compliance with statutory legislation to

encompass voluntary steps to improve on the quality of life for employees and their families, local communities and the society at large. The importance of considering societal prosperity is because it positively impacts organizations prosperity.

This view is ably supported by Shuffman and Kanuk (2000) who stated that all companies prosper when the society prospers and would be better off if social responsibility was an integral component of every marketing decision. Similarly, McIntosh et al (1998) suggested that at its grassroots, being socially responsible has been a concern very much related to the rationale that businesses are more likely to do well in a flourishing society than in one that is falling apart.

2. 2 Review of related concepts

2. 2. 1 The Stakeholder Concept

According to Post, Lawrence, and Weber, stakeholders are individuals and groups that are affected by an organization's policies, procedures, and actions. A " stake" implies that one has an interest or share in the organization and its operations, Carroll and Buchholtz (2003). Some stakeholders, such as employees and owners, may have specific legal rights and expectations in regard to the organization's operations. Other stakeholders may not have specific rights granted by law, but may perceive that they have moral rights related to the organization's operations. All companies have multiple stakeholders, which can be classified into primary or secondary stakeholders. Primary stakeholders are those with direct stake in the organization. While Secondary stakeholders, in contrast, are public or special interest groups that do not have a direct stake in the organization but

are still affected by its operations. Exhibit 2 classifies some major
stakeholder groups into primary and secondary categories

Primary Stakeholders

Shareholders (Owners)

Employees

Customers

Business Partners

Communities

Future Generations

The Natural

Environment

Secondary Stakeholders

Local, State, and

Federal Government

Regulatory Bodies

Civic Institutions and

Groups

Special Interest Groups

Trade and Industry

Groups

Media

Competitors

Table based on Carroll and Buchholtz, (2003)

The owners of a firm are among the primary stakeholders of the firm. An organization has legal and moral obligations to its owners. These obligations include, but are not limited to, attempting to ensure that owners receive an adequate return on their investment. Employees are also primary stakeholders who have both legal and moral claims on the organization. Organizations also have specific responsibilities to their customers in terms of producing and marketing goods and services that offer functionality, safety, and value; to local communities, which can be greatly affected by the actions of resident organizations and thus have a direct stake in their operations; and to the other companies with whom they do business. Many social researchers also suggest that companies have a direct responsibility to future generations and to the natural environment.

2. 2. 2 Occupational health and safety

Occupational health and safety is a cross-disciplinary area concerned with protecting the safety, health and welfare of people engaged in work or employment. The goal of all occupational health and safety programs is to foster a safe work environment. As a secondary effect, it may also protect co-workers, family members, employers, customers, suppliers, nearby communities, and other members of the public who are impacted by the workplace environment.

2. 2. 3 Hazard Assessment

Hazard assessment involves the identification and assessment of hazards in the workplace for its elimination and control. As the workplace becomes more complex, emphasis more focus is placed on the source of the hazard for its elimination.

The health and safety executive,(1970), identifies the below as common hazards found at the workplace,

Slips and trips; Common cause of injury in the workplace

Asbestos; Fibres from asbestos are likely to result in asbestos related disease

Electricity; Death from electric shock

Work equipment; The absence of work specific equipment can result in accidents

Hazardous substances; Exposure to chemicals and bacteria from the workplace can be injurious

2. 2. 4 Risk assessment

The health and safety executive,(2003) defines risk assessment as the process of identifying hazards in the workplace for its elimination. Legislation on health and safety requires that a risk assessment must be carried out prior to making an intervention, the law further recommends that the result of the assessment should be recorded and reviewed periodically whenever there is a significant change in the work process. The assessment must amongst other things do the following,

Identify the hazards

Identify all affected by the hazard and how

Evaluate the risk

Identify and prioritize appropriate control measures

2. 2. 5 Health and Safety regulations

Research studies trace the origin of Health & Safety regulations generally to the UK and US, Fellows et al.(2004), where progressive regulations have been enacted with regards to the health and Safety of workers in the

workplace. Nigeria as a former colony of Britain depended solely on standards and regulations of her colonial master before and even after independence. As a result, almost all existing regulations of reference on Health and Safety in Nigeria originated from foreign countries (Idoro 2004). The existing Factory Act of 1990 is an adaptation of the UK Factory Act of 1961. The Occupation Safety and Health Act of 1970 is an American legislation. The Control of Substance Hazardous to Health Regulations of 1988, the Personal Protective Equipment at Work Regulations of 1992, the Management of Health and Safety at Work Regulations of 1999 are all British laws and are applicable in European countries. The Manual Handling Operations Regulations of 1992, the New Construction Design and Management Regulations of 1994 also originated from foreign countries. Except the Factory Act, all the Health & Safety regulations in Nigeria are yet to have Nigerian versions.

2. 2. 6 Work Environment and Employee Performance

Employee performance includes activities to ensure that goals are consistently being met in an effective and efficient manner. Employee performance can impart on the performance of an organization, a department, processes to build a product or service; it means how well the employee performs compared to the tasks that he had been assigned.

The quality of the workplace is paramount to the employees' performance and this involves the tools and resources for the employees to work with. Brenner (2004) asserted that the ability of employees within an organization to share knowledge throughout the system depends on the conditions of their work environment. He also observed that employees tend to be more

productive in a well-facilitated work environment. More so, the quality of comfort derivable from work environment determines the level of satisfaction and productivity of workers. Workers productivity cannot be optimal, if the conditions of work environment are not favourable. Improved work environment will enhance employee productivity.

Kyko (2005) identified two types of work environment, Conducive and Toxic work environments. Conducive work environment gives pleasurable experience to employees enabling them to actualize their abilities and behaviour thus also reinforcing self-actualizing behaviours. For instance, an irresponsible employee can change into a responsible employee in conducive work environment. Taiwo,(2010). Toxic work environment gives unpleasant experiences that de-actualize employee's behaviour which lead to the development of negative traits in the employees' behaviour. In toxic work environment, responsible and sensible employee can change into irrational and irresponsible employee as a survival strategy.

An effective workplace management entails making the work environment more attractive, creating a comfortable atmosphere that is satisfactory and motivating, giving the employees a sense of pride and purpose in what they do.

2. 3 Review of relevant literature

The World Health Organization,(2004), defines occupational health and safety as a cross discipline, concerned with the promotion and maintenance of the highest degree of physical, mental and social well-being of workers in all occupations, the departure amongst workers from health caused by their

working conditions, the protection of workers in their employment from risks resulting from factors adverse to health, the placing and maintenance of the worker in an occupational environment adapted to his physiological and psychological capabilities and to summarize, the adaptation of work to man and each man to his job. In essence, every man should be provided with a work environment that can promote his total well-being. Organizations therefore need to treat its work force as one of the important stakeholders.

According to Oriodan & Fairbass (2008), the term " stakeholders" is broad ranging in scope and has been defined as meaning all groups and individuals who can affect or are affected by the achievement of an organization's mission. Stakeholders are key element in organization and they act either formally, individually, or collectively and can positively affect the survival of the organization. It is therefore, very important for organization to identify the employees as one of the stakeholders they are responsible to and should prioritize between different stakeholders groups since different organizations are vulnerable to different things (Lohman & Steinholtz, 2003). They should also realize the importance of the employee as a vital stakeholder and therefore make provisions for a safe work place, good health care, housing and medical facilities (Brown, 2005). Through such employee based CRS activities, organizations have increased their ability to motivate, maintain and recruit quality employee (Coldwell et al, 2007).

According to Doorman (2000), employers must realize that occupational injury and illness are not only matters of health but also of economics since they stem from work and work is an economic activity. He added that while economic cost can be quantified in monetary term other non-economic costs

like occupational injury and diseases may result in subjective costs of pain, fear, and loss suffered by the workers, their families, immediate communities and the society as a whole. Kanuk (2000) stated that organizations only prosper when the individuals, families, communities and the society prosper.

According to International Labour Organization (ILO), every year more than 2 million people die from occupational accidents or work-related diseases (ILO, 2010) and the rate of injuries and ill-health is much higher than this figure. In a survey carried out by the ILO in the Philippines, Nigeria, Senegal and Tanzania, a poor working condition, characterised by lack of protective equipment, exposure to hazardous chemicals and long work hours where identified as the prevalent issues with the workplaces in the various countries surveyed. ILO,(2010)

Inadequate health and safety standards and environmental hazards are particularly evident in a developing country like Nigeria. Poor working environment including inadequate premises and often very unsatisfactory welfare facilities, as well as practically non-existent occupational health services are causing large human and material losses, which burden the productivity of national economies, impair health and general well-being as well as the quality of life of informal workers and their families (Idoro, 2004).

Maintaining the functioning of the workforce is increasingly a critical issue as workforces throughout the world age as worker shortages are projected due to occupational health hazards (UNDP, 2002 & Tuljapurkar , Li, Boe). The key to maintaining an effective functioning of the workforce is the concept of well-being, which encompasses more than just one's state of health; it is also

a reflection of one's satisfaction with work and life. This is one of the key roles of socially responsive organization.

More broadly, maintaining the productivity of workers, organizations, and nations requires understanding the relationship between the health and well-being of the workforce. A key common element is that well-being is more than merely the absence of negative circumstances, such as illness; rather it also includes positive features such as the quality of a job or happiness with one's life. The definition advocated by Waddell & Burton (Waddell, Burton, 2006) is that well-being is " the subjective state of being healthy, happy, contented, comfortable, and satisfied with one's life." It includes physical, material, social, emotional (happiness), and development and activity dimensions. A more expansive definition also cited at the Helsinki conference is: " flourishing employees achieving their full potential for both their own benefit and that of the organization." Well-being at work is also influenced by mental and physical health, job security, organization of work, work engagement, work life benefits, and wages (Muse, Haris, Giles 2008; Layard, 2010)

Investment on the employee's welfare should therefore be handled differently from other investment because they play a vital role in the survival of the organisation. This accounted for the reason why a growing number of organizations and firms have started to act more socially responsible to their employee through the provision of a safer working condition (Brammer et, al 2007; Freeman, 2006). They have also realized the importance of an efficient and effective work force as a vital stakeholder (Stevenson & Wood 2003) Capriotti & Moreno, 2007). Organisations have

come to realise that hazardous working conditions not only harm workers'
health but also affect negatively the organisation's productivity and as
restated by Fernández-Muñiz et al. (2008) , occupational accidents and
unsafe working conditions not only have adverse effect on human resource
but also it damages materials, reduces productivity and diminishes the
motivation of workers.

2. 3. 1 Effect of Occupational safety and Health on Employee performance

There is no gainsaying the fact that health has become (and recognized) as a
critical aspect of human capital (Tompa, 2002; Amick, 2008). A growing body
of literature links workforce well-being to employee performance and
productivity particularly in terms of health as a component of well-being
(Howard, 2009, Ilmarinen, Tuomi & Seitsamo, 2005; Davis, Collins, Doty &
Holmgren , 2005; McCunney, 2001; Bolge, Doan, Kannan & Baran, 2009;
Loeppke, Taitel, Haufle, Parry, Kessier & Jinnet 2009) In the simplest terms,
sickness absence has been shown to directly affect productivity (Pauly,
Nicholson, Polsky, Danzon & Murray 2002).

Many studies have recognized that fact that occupational safety and health
has a profound impact on individual workers, families, communities and the
society at large (Sokas & Spince 2008). The social consequences of an
occupational injury or illness are difficult to isolate and measure. Although
the injured worker is normally the person most directly affected, workplace
accidents also potentially impact on family members, co-workers, medical
care providers, insurance administrators, and a host of other individuals and
groups. The repercussions of an occupational injury or illness reach beyond

the boundaries of the victim's workplace and home, extending into hospitals, courts, and the local community.

Organizations can achieve economic development by promoting occupational safety in the workplace, to ensure that workers are in good state of health. According to Awoyemi & Sowunmi,(2009) healthy workers, because of their physical robustness and mental alertness tend to be more productive They are also less likely to be absent from work because of illness. Ngugu (1999) stated that Health care is consumption good as well as an investment. As consumption good, health care improves the welfare, while as an investment health care enhances the quality of human capital by improving productivity and increasing the number of days available for productive activities. In fact the time lost in production because of ill health indicates reduced output (Adewale, Mafe, & Sullyman (1999), Chippaux, (1999). The protection of the health and welfare of informal and formal sectors workers is a challenge which should be faced with an integrated approach to health promotion, social protection and quality employment creation .

There is the need to understand an array of factors that affect workers' well-being in the workplace, studies carried out by the likes of Robson et al. (2007), Fernández-Muñiz et al. (2008), Seoul Declaration (2008), ILO-OSH (2001) and BS 8800 (2004) have pointed to the fact that an Occupational health and safety based management systems not only reduces accidents and injury in the workplace, it also improves the business and productivity of an organization.

2. 3. 2 Safety Culture

The merriam-webster,(2011) dictionary defines culture as the set of shared attitudes, values, goals, and practices that characterizes an institution or organization. The U. K. Health and Safety Commission defines safety culture as " The product of individual and group values, attitudes, perceptions, competencies, and patterns of behavior that determine the commitment to, and the style and proficiency of, an organization's health and safety management" (HSC, 1993).

The Oil and Gas industry is a volatile industry, characterized by high risk and disasters waiting to happen, the peculiar nature of the industry and the various incidences and disaster that have trailed the industry has necessitated the development of a proactive health and safety management regime. Disasters like the Piper Alpha in the UK, Alexander Keilland in Norway and Longford in Australia have focused the attention of the industry on the management of health and safety issues, thus the establishment of various quasi bodies in the developed world, like the Health and Safety Executives in the UK and Occupational Safety and Health Administration in the US, (see Kathryn Mearns and Stephen Yule, 2009). to regulate, monitor and enforce regulations pertaining to health and safety in the industry.

Statistical data [incident and accident data] remains one of the measures of the level of safety in the Oil and Gas industry and the genuineness of these data are rarely challenged. As suggested by Mearns and Yule (2009) such data are often the initiator for expensive and elaborate safety improvements by the companies involved. A good example is the incident statistics reported by the Oil and Gas Producers (OGP) in 2004 which indicated the

Former Soviet Union (FSU), the Middle East, Africa and Asia/Australasia as performing better than the world average of 1. 09 lost time injuries (LTI) per million hours worked. When the performance of individual countries is considered, the majority of countries in the FSU, Africa and Asia/Australasia perform at least as well as the global average, however, North America and the majority of European countries perform worse. Ogp,(2010) Many reasons have been advanced for these figures, while some attribute less reporting, others attribute the figures to what constitutes a reportable injury in the different countries, the fear of job loss, sanctions and consequences of being signed off work for being sick or injured in developing countries, where there are no welfare or national health policy may influence the lost time per injury data being posted. More frequently than ever before, it is observed that oil and gas companies are moving into developing societies of the modern world where traditionally there has not be such a strong focus on health and safety issues and employees are mainly concerned with securing employment to provide for basic needs such as food, water and shelter.

The consequences of accidents and disasters vary all over the industry and from country to country, but one common denominator is the huge human and financial cost they inflict on the industry, in battling this, organizations and regulating bodies have evolved different strategies to manage health and safety, these strategies to a great extent have been determined by the peculiarities of the environment such organization operates from. Different principles have been propounded as determining health and Safety performance in the industry, while some authors have emphasized technology and the physical environment or location, some other authors

have placed emphasis on human factors as being the main determinant of a successful health and Safety management. In the opinion of Mearns and Yule (2009), whereas the ' value of life' is incalculable at an individual level, some may question the relative ' value of life' at a societal level. This is particularly true of some countries where the political regime may perceive labour as cheap and dispensable but for Western organizations operating in these countries, the moral and ethical obligations associated with protecting people from harm at work is a sufficiently strong motivating force to ensure implementation of effective safety management systems that go beyond local legislative requirements (Mearns and Yule, 2009). In the opinion of Helmreich and Merrit (1998), safety is a ' universal value', which every culture should endeavor to hold and there is little doubt that people will react unfavorably to their family, friends and colleagues being harmed at work.

Arnett (2002), views the values of the global culture as being based on Individualism, the free market economy and democracy. These values which are essentially Western in orientation and organizations are associated with the oil and gas industry and are exported to countries where they opearate. Furthermore, as noted by Arnett,(2002), these values are widely embraced by the host countries because of their appeal. This does not necessarily mean that people will entirely reject their old values – to some extent local cultures will continue to exist and fundamental religious values in particular, will continue to exert an influence on the habits and traditions of the people – however, new forms of sense-making and attribution processes are likely to develop from the absorption of the new cultural values. The values of global

culture encourage individual choices rather than conformance with traditional social roles and reinforce decision-making processes guided by personal ambitions and aspirations rather than traditional ' cultural' expectations. In accordance with Hofstede's (1994) cultural values framework, these are essentially the values of ' Individualism' (where everyone is expected to look after him or herself) as opposed to ' Collectivism' (where strong cohesive groups protect and sup-port their members) and ' Masculinity' (where people value money, material success and progress over relationships) versus ' Femininity' (where people value other people and relationships over material success)..

It may also be argued, that oil and gas organizations claiming to have a strong focus on safety means that safety, in itself, becomes a central value, which may be in conflict with traditional work values regarding productivity and speed of work safety as a central value would be the defining moment for any organization embarking on the development of a positive safety culture, irrespective of the national context it is working in.

2. 3. 2 Safety culture in the oil and gas industry

One frequent assumption in the safety literature is that the safe or unsafe behavior in the workplace is a function of the organization's prevailing safety culture. However, as some scholars have lately noted, the direction of causality is not necessarily well established in this relationship. There is an implicit assumption that a positive safety culture leads to the workforce exhibiting safer behavior, however the relationship may well be reciprocal with safer behaviours leading to a more positive safety culture.

According to Wright (1994), for many years, the oil industry in the Western world has been dominated by a male-dominated, ' macho', ' can do' culture. those who worked in the industry in its early years were ' rough and tough' guys, who enjoyed taking risks and accepted it as part of the job, which probably according to Mearns and Yule,(2009), accounted for the high remuneration paid Oil and Gas workers in the 1970's. It is possible to surmise that this was an example of how the industry culture was developed through who was attracted to, accepted by and retained by the industry, as exemplified in the ' Attraction, Retention, Attrition' model (Schneider, 1987). In this regard, the behaviour can be said to have driven the culture – not the other way around.

Cullen (1990), noted that after the Piper Alpha disaster in 1988, attempts were made to change this culture, firstly through a focus on engineering improvements, secondly through the implementation of safety management systems and lately through behavioural safety interventions. During this time, the UK oil industry in particular was said to have been concentrating its efforts on developing a positive safety culture throughout the whole industry (stepchangeinsafety, 2010) however the extent to which these interventions are accepted and implemented by the UK offshore workforce and also how well they translate to other national contexts is said to be hazy.

It is significant to note that the concept of safety culture arose out of major accidents such as Bhopal, Chernobyl and Piper Alpha (largely with the benefit of hindsight, as many studies have come up in their wake) and reflected the failings of both organizations and politicians to manage the risks associated with hazardous technologies effectively. These incidents (as

for example the recent Bp oil spillage in New Mexico, US) are actually national scandals and at the time, reflected the underlying values of the societies in which they were perpetuated. This does not mean to say that they reflected the individual values of those who were caught up in the disasters, indeed their very identification as system failures would preclude this. However, it is worth considering to what extent the notion of safety culture can actually be linked with the individual accident data (e. g., loss time incidents – LTIs) that the oil and gas companies are trying to reduce in number.

The question remains as to what