

Focus on shell in nigeria



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1. 0 INTRODUCTION

Nigeria has long been a paradox of poverty amidst plenty (Ite, 2007). With over 70% of the population living below the poverty line (Smith, 2010), countless coup d'états and political assassinations (Frynas, 2010), hostage-taking by rogue militant groups (Smith, 2010), endemic corruption (Akani, 2002) and disastrous environmental scandals (Adeh, 2011) it is no surprise that many corporations fear to go where Shell has forged a vice like grip over the petroleum industry (Smith, 2010). Nigeria, however, is Africa's leading oil producer and the eighth biggest exporter in the world, accounting for 8% of US oil imports: years of mismanagement have crippled the giant of Africa which ironically has the potential to alleviate the startling statistics of poverty and inequality which scar it (UN Economic Report on Africa, 2002). A common denominator in Nigeria's chequered petroleum history is Royal Dutch Shell: a company which first established operations in the country in 1958 (Ayadole, 1985) and which has exerted control first of the oil fields and now substantial influence of the Government itself if the host of critical NGO's allegations that Shell is the Nigerian Government have any credibility (Smith, 2010). A recent Wikileaks cable revealed that Shell has infiltrated every arm of the Government and the allegations of exploitation are, despite a UN report in 2010 which exonerated Shell of responsibility for 40 years of oil pollution (UN report, 2010), tempting to make of a company which has moved progressively from a "community assistance" model of Corporate Social Responsibility (CSR) to one which is more "proactive" (Akpan, 2008). In a climate of growing mistrust for big business generally (Klein, 2000 &

Bernstein, 2000) and in the fallout of the report from the UN which was financed by Shell the time is ripe to examine Shell's involvement in Nigeria.

1995 was a watershed moment in Shell's relationship with Nigeria and indeed the relationship of Multinational Corporations with host countries worldwide. Tribal leaders and an activist called Ken Saro-Wiwa dared to question the environmental mess left behind in the Niger Delta and wound up being executed at dawn by the Nigerian Government while Shell declined to intervene (Vidal, 2010). This moment struck a chord in international business and management and since this date Shell in particular has sought to adopt a model of Corporate Social Responsibility which goes far beyond what Carroll (1999) described as the lowest tier of CSR models to an ethical and responsible position which takes into account cultural aspects:

" Since 1995, Shell International has taken significant steps to re-orientate its business principles and literature in order to encourage a more accountable and dynamic set of relationships with key stakeholders. In doing this it has placed itself in a leadership position among corporations that are moving beyond simplistic notions of ' license to operate'" (Boele, Fabig & Wheeler, 2001 p.)

The following chapters illustrate how exactly this dissertation will be carried out. Firstly, the brief literature review in the following chapter outlines the major theories that this study would be based on and identifies the central pillars of the study. The methodology chapter outlines how research will be conducted and outlines the major research approach, strategy,

and philosophy. It also discusses the mode of data collection and analysis. Research limitations are also discussed.

2. 0 LITERATURE REVIEW

(a) Theories of Corporate Governance

That companies in the western world, and the USA and Great Britain in particular, have historically adopted a shareholder primacy approach is well accepted (Dignam & Lowry, 2010, Miles & Friedman, 2006). The intellectual revolt against scandals and recession in the 1990s including Enron, led to an adoption of economic theory which simply and bluntly required more from companies than, in the memorable words of Lord Avebury in the House of Commons, a company's success being dependent on " its ability to continue damaging the environment, and within a fairly distant time horizon, making large parts of the globe uninhabitable" (Copp, 2010 p. 406). The fall of Enron was, consequently, the catalyst for an international shake-up of corporate governance which had traditionally, at least for the Anglo-Saxon world, been founded upon the contractual theories of American thinkers for generations and filtered into s. 172 of the 2006 Companies Act in the UK (Clarke, 2005, Cova & Dance, 2006, Deakin, 2003).

(b) Corporate Social Responsibility

Despite the predominance of American thinkers in the 20th century the intellectual tide in the UK was turned by the seminal work of Parkinson in the early 1990's who first postulated a form of corporate social responsibility and rejected the American contractarian model in the United Kingdom (Parkinson, 1993). Parkinson himself distinguished the illustrious author E.

Merrick Dodd who, in the shadows of the Great Depression in 1932, argued powerfully that the notion of a company is not a “ legal fiction” but in fact reality and that with such power comes the responsibility to perform a social service. For Parkinson however, social responsibility defined by democracy is a precondition to having power. Both Parkinson and Dodd were united, however, in seeing the corporation as a quasi-public company (Kershaw, 2009). The notion of corporate social responsibility, which is a buzz-word in the modern business world (Perry & Gregory, 2009), has prompted many changes in companies which is, in the words of Sheikh, “ inextricably linked” to ‘ enlightened shareholder value’: the Labour government’s compromise between shareholder and stakeholder primacy under s. 172 of the Companies Act 2006. Voluntary and non-binding codes, principles and initiatives are proliferating at an astonishing speed and indeed a new industry has been born. Multi National Corporations (MNC’s) have special additional rules to reflect their power and responsibility with those companies who are members of the World Business Council on Sustainable Development committed to a definition of CSR in terms of financial, social and environmental factors (Boele et al, 2001, p. 124) Other countries, most notably Germany and Japan, adopt a stakeholder primacy approach which sees employees sitting in German boardrooms (Schwarz, 2008) and Japanese companies very much entrenched in local communities (Kierie, 2006).

(c) Stakeholder vs Shareholder primacy

S. 172 of the Companies Act 2006 arguably splits the debate between those who advocate shareholder primacy to maximise profits and those who insist that stakeholder primacy must be introduced into company law to reflect the

21st century and a more moralistic business environment. On the former, FE Mitchell has observed that requiring people to devote their working lives in companies to solely maximising profits is “unhealthy, demeaning and morally corrupting”(Mayson, French & Ryan, 2006 p. 31) while on the latter, Easterbrook and Fischel condemn the inclusion of social and moral factors in business as “unnatural and objectionable ‘social engineering’” (Easterbrook & Fischel, 1991). Freeman (1984) contributed immensely to this field by first expressing the modern concept which has gained much currency in the last two decades being, in the words of Miles & Friedman, “the pivotal contribution to stakeholder literature” (2006, p. 273). Freeman’s words are remarkably prescient for 2011:

“Gone are the ‘good old days’ of worrying only about taking products and services to market, and gone is the usefulness of management theories which concentrate on efficiency and effectiveness within this product-market framework”. (ibid)

(d) Shell’s involvement in Nigeria

Shell’s involvement in Nigeria has been extensively researched (Boele et al, 2001, Ayodele, 1985, Ite, 2007, Akpan, 2008, Idemudia, 2010). Their first involvement in the petroleum industry, allied with BP, dates back to 1958 and was at first a monopoly in favour of Britain (Ayodele, 1985). This British monopoly gradually eroded until the Nigerian government legitimately owned equity shares and the refineries from which the oil was extracted (ibid p. 296) but still the legacy of that monopoly remains. A long history of oil spills have scarred the Niger delta but as noted above, only a small fraction of this environmental degradation was attributed to Shell in the UN report

published in 2010 (UN, 2010). It was 1995 when Shell's involvement in Nigeria was exposed callously by the murder of activists determined to hold them to account for the environment (Vidal, 2010). This event marked a watershed for Shell and indeed other Multi National Corporations worldwide and in response the notion of Corporate Social Responsibility gained currency and Shell began to demonstrate a more ethical approach to local communities and culture with \$68.5 million being spent in 2003 on community development (Idemudia, 2010)

(e) Effect of culture on business for MNC's

The effect of culture on company's business decisions to a large extent depends on their approach to CSR and their policy on due diligence. As Moran et al (2007, p. 6) culture is difficult to define but essentially gives people a sense of who they are, how they should behave in certain situations and where they belong. Performing "cultural due diligence" is, in the opinion of Moran et al (2007) a long neglected aspect of business management. Nigeria of course has vibrant local communities and a culture which deserves long study and contemplation. There are signs that Shell are beginning to undertake this task but perhaps 40 years too late (Akpan, 2008).

3.0 RESEARCH OBJECTIVES AND QUESTION

Based on this brief literature review here are the proposed research objectives. Four main research questions have been identified at this stage of the project:

What are the major cultural considerations the Shell Company has made in the Nigerian petroleum industry

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What evidence is available regarding the degree of success these cultural considerations have given the Shell Company in the Nigerian petroleum industry

How did the UN report arrive at the conclusion that Shell are not responsible for 40 years of environmental degradation in the Niger Delta

What recommendations can be offered for the future extraction of oil in Nigeria in terms of company management and indeed in Africa as a whole

Based on these objectives, the following research question has been articulated:

To what extent has Shell taken into account cultural considerations in its involvement in the Nigerian petroleum industry since 1958 and have the events in 1995 marked a significant turnaround in the corporate philosophy of Shell or have they cynically embraced Corporate Social Responsibility?

4. 0 RESEARCH METHODOLOGY

The methodology for this dissertation project will follow a qualitative approach. This methodology has been chosen so that the researcher can become part of the research and gain more valuable data. Qualitative research is aimed at gathering an in-depth understanding of human behaviour and the reasons which lie behind decisions (Merriam, 2009 Silverman, 2004, Marshall & Rossman, 2011). The very criticisms of MNC's is that they neglect human behaviour and it is precisely this point that necessitates a qualitative research methodology as to approach this topic from a quantitative perspective would undermine the meaning of individual results. Although quantitative results would be accurate and perhaps more

representative (Merriam, 2009 Silverman, 2004, Marshall & Rossman, 2011) they would not carry as much weight as carefully structured interviews designed to address the subtleties which punctuate the fragile situation in Nigeria. Quantitative research would also relegate the role of the researcher and my own involvement will guide the flow of interviews from an objective viewpoint. It is intended to conduct semi-structured interviews as an expression of this methodology by interviewing key figures in Shell and the Nigerian petroleum industry as well as those affected by the oil industry in Nigeria itself.

According to Remenyi et al (1998), semi structured interviews are non-standardised interviews, in which the researcher has a theme and questions to be covered, although these may vary amongst respondents. Aspects of critical social research methodology will also be incorporated within this dissertation project in order to understand communication and symbolic meanings (Gomm, 2003).

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