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Multinational Oil Companies and Corporate Social Responsibilities: The Host Communities Experience

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Abstract

For peace and development to be maintained in the oil producing communities (Niger Delta Region, Nigeria), the concept of corporate social responsibility must be fully imbibed by the multinational oil companies. Therefore, this study examines multinational oil companies and corporate social responsibilities with particular *reference to host communities' experience. An accessible population of ten (10) communities in Bayelsa State was studied. Primary and secondary data were used and analyzed using tables, percentage, average, frequency distribution, and chi-square (x^2). The result shows that there is no positive significant relationship between multinational oil companies and corporate social responsibility to the host communities. Therefore, we recommended that, multi-national oil companies should foster close relationship with their host communities by providing them with social amenities and employment opportunities. Government should also monitor the social activities of multinational oil companies and guard against any inhuman treatment that is detrimental to the environment and the health of community residents. Government should also provide social amenities and other associated benefits to the oil producing communities.*

Key words: multinational companies, corporate social responsibility, Niger Delta, Nigeria

Introduction

Ibeanu (2006) earmarked that, a business organization is simply an entity whose basic purpose is to provide goods and services in whatever form that the society finds itself in operation. Andabai (2010) also confirmed that, it is an organ of the society empowered by the laws of the society which gives its existence. As an organ of the society, performing social functions, it is legally and normally liable for carrying out a duty in any area of one's operations (Rodney 2001). This obligation denotes responsibility to the business enterprises as an organ of performing societal functions and responsibilities to their host communities. Edem (2004) looked at social responsibility as a crucial function a manager should perform to enhance the welfare of the communities in which they operate because social responsibility create peaceful atmosphere for articulation of companies policy and operation. Magdoff (2002) views social responsibility as a term often used to indicate demands not necessarily directly related to the concerns of the firm's traditionally accepted financial beneficiaries, that is, stock holders, creditors, suppliers and employees. Khinde (2007) sees social responsibility from the semantic concept of social responsiveness which incorporated the idea of a company responding to its multiple constituencies in such a way as to enhance the long-term achievement of the organization.

According to Bright (2010), "the concept of social responsibility as an organizational ethics is faster becoming a custom and an important concept that virtually every enterprise is being required to adopt as business practice". Sherlock (2007) observed that, this concept is better appreciated and understood when looked at various reports from oil companies in the Niger Delta region of Nigeria. Andabai (2010) stressed that, in the Western world, the case is not different as business enterprises are responsible to their areas of operations due to negative effect or impacts generated as a result of such business operations and developing countries like Nigeria, and the concept is gradually taking root. Akansanya (2001) also stated that, the demands made by host communities on oil companies operating in their areas are as a result of the pollution, spillages and degradation suffered by them.

However, we have also witnessed government in making attempts to establish laws as to curb the social ills that are resulting from the oil operations in the region. In fact, Onuoha (2005) argued that, corporate social responsibility helps to improve the public image of oil companies, production capacity, and also the life of the multinational organizations. Rodney (2004) also added that, no social responsibility, no growth of profit; no social responsibility, no peace in the industry. However, Andabai (2010) concluded that, it is the aim of this study to assess the level of social responsiveness in the light of recent hostilities and un-ending demands made by the various host communities in the Niger Delta region of Nigeria. Olukoshi (2004) reaffirmed that, multi-national oil companies are expected to imbibe with the concept of social responsibility in the lights of their advanced technology, knowledge and overall enlightenment of the people.

Theoretical Literature

Nzimiro (1999) in his article "multinational corporations in Africa" gave a rundown of multinationals in the less developed countries. For instance he is of the view that they create economic problems and disadvantages for the development of the African economy. He also observed that, these foreign firms and subsidiaries or holding parent companies cannot be readily identified with Africa development. Magdoff (2002) equally believed that, they have an African created neo-colonial economy, by so doing many African countries have remained on export oriented economy whose industrial unit are vertically integrated with the parent industries in the metropolis with no or very little integration with other industries or sector of the neocolonial. Nwankwo (2002) also believes that, their existence makes it impossible to develop indigenous enterprises and these multinational corporations swallow indigenous firms in the name of improving our economy. According to Onuoha (2005), when it becomes more prosperous and by so doing they will regulate industries and agriculture, thus distorting the patterns of economic development of a given country.

Omotola (2006) is of the opinion that, multinational corporations help to create a parasitic class with the society, a class that is essentially committed to the doctrine of capitalism, through so many means. This can be created according to their own image and likeness to ensure the presentation of the economic mainstay of the multinational corporations. Andabai (2010) reaffirmed that, the multinational corporations, because of their desire to maximize profit, do everything in their power to give false information to any given government about their real economic activities such as turnover and profit. They do this by keeping account that the countries concerned do not have the manpower in most sophisticated manner and who might successfully probe the intricacies of the economic power of the giant long standing organization. According to Kehinde (2007), the most serious consequence of these multinational control mechanisms over African economies is recapitalization of local entrepreneurship.

According to Olukoshi (2004), meaning out right transfer of capital from African to the advanced countries and local displacement constitutes two basic ways in which the multinational corporation generate and sustain the under development of the region. This school of thought often sees the multinational corporations as causing structural distortion with respect to sectoral and regional imbalances, income, wealth and other structural imbalances of warped industrialization programme (Mbanefo, 2003).

Akinsanya, (1994) maintained that, there is little technology transferred by multinational corporation to their host country not only because research and development efforts are concentrated in the home countries of the multinational corporations attempt to retain monopoly over their technology. Another reason is because of the capital intensive of the multinational corporations method of production and because considerable adaptation of production has not taken place (Stochersten, 1980). According to Rodney (2004), the training which the corporations are undertaken with interest of improving middle-level manpower personnel and some of them have established their own training institutions of both personal and for the benefit of their employees such that training is necessary for improving the efficiency and productivity of the employees.

According to Vanden Hoven (2005), companies like ours, which can draw on large bases in the industrialized world and many years of experience in developing countries, and on many effective instruments for the transfer of capital, management skills, organization and technological knowhow. According to Letelies, Barnet and Muller (2004), multinational corporations are vehicles for the development and transfer of capital resources from investors-state to the less develop countries and that, in general, multinational corporations are engines for development. According to Ake (1990), multinational corporations are said to be good citizens, they pay high rate of tax and they also contributed to government revenue required for the provision of social amenities and of infrastructure for socio-economic development. According to Nwankwo, (2002) multinational corporations provides finance for investment, these corporations provide employment for the nationals of developing countries and also help them to solve their unemployment problems. Jack (2004) asserts that, large corporations which has a substantial overseas investment in operating subsidiaries or affiliates sometimes, including licenses (A Sizable Export volume out of the total, would indicate increased capital formation). Finally, Muller (2003) has especially or specifically analyzed the role of multinational corporations in developed countries. He argued that, these corporations do not bring their own financial capital from abroad rather a much greater past of their finance is derived from the local or host country's economic activities.

Andabai (2010) observed that, every multinational oil company focuses on profit making; and they should also be ready to handle societal environmental problems like spillages, pollutions, degradation, and essential needs/demands of their host communities. Ikuli (2006) opined that, if these societal problems are not met, the outcome will be crises. Nwanna (2008) points out social impact as use up resources that were burn up or waste of raw materials, or as the last tie upon management efforts. Jack (2004) also confirmed that, the problem in the oil producing communities is masterminded by the multinational oil companies. Ejituwu and Enemugwem (2007) stated that, the peculiar circumstances of the oil producing communities were marginalization, neglected and poverty stricken. The impacts of oil activities on their environment, the socio-political activities and their expectation on the oil companies have largely influenced their relationship with these multinational companies (Olukoshi, 2004). Mbah (2006) maintained that, the issues of provision of social amenities, oil spillages, pollution and compensation payments as well as enabling laws have played very crucial roles in this relationship. Considering the adverse effects of spillages, pollution, gas flaring, lack of social amenities, lack of employment, granting of contracts to indigene of the communities and others related issues determine the peaceful operations of the oil companies Onormode (2004).

According to Campbell (2008), the Federal Government of Nigeria established the Nigeria National Petroleum Corporation to serve as an eye of the government, fix petroleum prices, enter into business as it concerns oil and gas, operates Joint return services with many oil companies in Nigeria. Okowa (2007) posits that, the joint venture services are arranged as follow:

(i) Shell Petroleum Development Company (SPDC), Nigeria AGIP Oil Company Limited (NAOC) and Totalfinelf Limited. Others include: Philips Oil Company (PDC), Mobile producing Nigeria limited (MPN), Texaco Overseas Petroleum Company Nigeria (TOPCN) (this include Chevron), Pan Ocean Oil Corporation of Nigeria (POOCN), Production sharing with Ashland Oil Nigeria (AON) and service constructed with AGIP Energy (AE) and National resources (NR). NNPC controls major shares in all these partnership agreements usually 60%, other oil companies' controls 20% respectively with NAOC as operators of the arrangement.

(ii) In NNPC/ELF joint venture, NNPC control 60% shares, Shell controls 30% shares, Elf control 10% while NAOC control 5%. These ventures have a legal framework. There is an obligation to: (a) pay compensation for land acquired (b) any change to environment, crops, economics trees and etc requires compensation. Finally, claims are made, verified and compensation made to the affected individuals and communities.

Research Methodology

The primary data for this study were gotten from various offices of five (5) multi-national oil companies in the Niger Delta region of Nigeria. Secondary data were harnessed from standard textbooks, journals and other unpublished materials that are relevant to the course of study. Tables, percentages and chi-square (x^2) statistical technique were employed in the test of hypothesis. The formulated hypothesis is as follow:

H_{01}: There is no significant positive relationship between multinational oil companies and corporate social responsibility to the host communities.

$$x^2 = \frac{(of-ef)^2}{ef}$$

Where:

x^2 = Chi-square

of = Observed frequency

ef = expected frequency

Inferentially, the calculated value of Ch-square (x^2) is usually compared to the table value. Based on the difference, a null hypothesis will either be rejected or accepted.

Analysis and Results

The research examined various responses from respondents and we used frequency distribution, averages, percentages and tables based on our various option.

Table 1 shows that, host communities prefers the oil producing companies to provide educational facilities/scholarship and employment, these two options stood at 16% respectively, followed by agricultural development and water supply, 11 (11%). 10 (10%), and 8(8%) for health care, electricity, road construction, and grants/ donations respectively.

Table 2 revealed that, the companies maintained the following stands, road construction and other services stood at 20 (20%) respectively on the demand of the oil producing communities grants / donation, water supply, electricity and health care stood at 10 (10%) respectively, while employment, educational facilities/ scholarship, contract and, agricultural development stood at 5 (5%) respectively.

Table 3 revealed that options adopted by the Host Communities are negotiation/dialogue, which stood at 24 (24%), second best stood at 20 (20%) for call for compensation/demand. Physical obstruction of oil operation, and ceasing company's motors/closing of roads, was ranked thirds best with 17 (17%). The fourth best goes to suing in the courts and other measures, stood at 11 (11%) respectively.

Table 4 revealed that, 38 (38%) criticized oil companies for not being environmentally conscious. 40 (40%) criticized them for politically motivated community demands. 38 (38%) of respondents criticized oil companies in respect to unfavourable relationship and without special attention to host community needs. Indifferent to community welfare stood at 41 (41%) and community environment hazard stood at 32 (32%). The table also observed that, oil companies responds to their demand partially and chances of neglect stood at 68 (68%).

Testing the Hypothesis

It is necessary to draw an inference from the result obtained, it is decided to test the hypothesis at 0.05, 2 level of significance, with 5.99 chi-square (x^2) table. Based on Table 5, H_1 Degree of freedom (df) = 2 computed (x^2) 11.42, chi-square therefore, the null hypothesis is accepted meaning that multi-national oil companies (MOC_s) do not regard social responsibility.

Conclusion and Recommendations

The concept of social responsibility is a concept that has been fully imbibed by the multinational oil companies. Government should also contribute her quota in social responsibility as it concern the oil producing communities. It is believed that the inability of the multinational companies to put smile to the faces of their host communities can be traced to the inability of government to fulfil her own social responsibilities. The continuous disruption of multinational oil companies' activities should be discouraged by the host communities, but should encouraged dialogue. From the conclusion so far made, we therefore recommended the followings:

(i) The multi-national oil companies should invest a greater percentage of their profits on educational project; provide employment, agriculture development, and other vital needs of their host communities.

(ii) Multi-national oil companies should foster very close relationship with their host communities by encouraging dialogue rather than applying elements of politics through avoidance/force in handling community/companies disputes.

(iii) Government should monitor the social activities of multi-national companies and guard against any inhuman that is detrimental to the environment and health of community residents.

(iv) Government should contribute their quota by providing social amenities to oil producing communities, and

(v) Host communities should be tolerant and understanding in dealing with the multinational companies operating in their areas.

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Table 1: Expected Project from Oil Producing Communities.

Options/Project	Frequency responses	Percentage
Agricultural Development	14	140
Water supply	14	140
Educational facilities/Scholarship	16	160
Employment	16	160
Health Care	11	11.0
Electricity	11	11.0
Road Construction	10	10.0
Grants/Donations	8	8.0
Total	100	100

Source: Field Survey 2013.

Table 2: Rating of Oil Companies Performance to their Host Communities.

Options	Frequency responses	Percentage
Road construction	20	20.0
Grants/donations	10	10.0
Water Supply	10	10.0
Electricity	10	10.0
Agricultural Development	5	5.0
Contract	5	5.0
Educational facilities/scholarship	5	5.0
Employment	5	5.0
Health care	10	10.0
Other services	20	20.0
Total	100	100.0

Source: Field Survey 2013.

Table 3: Way Oil Producing Communities Channel their Demands.

Options	Frequency response	Per centage
Negotiation/dialogue	24	(24%)
Physical obstruction of oil operations	17	(17%)
Calls for compensation/demand	20	(20%)
Suing the oil companies in the court of law.	11	(11%)
Ceasing company’s motor/closing of roads	17	(17%)
Other measures	11	(11%)

Source: Field Survey 2013.

Table 4: Criticism/Problem Solving Ability of Oil Producing Companies

Response	Oil companies	Communities	Percentage
Responses to criticism special attention to community	62 (62%)	38 (38%)	100
Politically motivating any community demand	60 (60%)	40 (40%)	100
Not environmentally conscious	68 (68%)	62 (62%)	100
Community environment hazards	68 (68%)	32 (32%)	100
Indifferent to community welfare	59 (59%)	41 (41%)	100
Others	78 (78%)	22 (22%)	100
Problem solving capacity Yes No Partially	 75 (75%) Nil Nil	 Nil Nil 32 (32%)	 75 0 32

Sources: Field survey 2013.

Table 5: Computations *of* research hypothesis *(*H_{01}*)*

Observed	Expected	Fo-fe	$(Fo\text{-}fe)^2$	$(fo\text{-}fe)^2/fe$
8	10.10	2.1	4,41	4.36
8	5.89	2.11	4.4521	7.55
10	10.73	0.5329	-4.96	4.96
7	6.26	0.75	0.5476	8.74
18.	15.15	2.85	8.1225	5.36
6	8.84	-284	8.0656	-0.91
Total	NA	NA	NA	11.42

Source: Field Survey 2013.