Corporate Social Responsibility as a Tool towards Enhancement of Corporate Operation and Environmental Protection in the Nigerian Oil and Gas Sector

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Abstract
The positive impacts of some key developmental strides around the third world countries are a function of Corporate Social Responsibility CSR, as we envisage in this article these strides are achieved through the auspices of CSR. However, CSR currently plays diverse roles in corporate relations and development depending on the intention behind it. In fact for some corporations, it might range from host community or public pressure on the corporations on issues of development, human rights abuses and environmental degradation. On the other hand, it might be the genuine effort by businesses to demonstrate their commitments and goodwill towards the society on which their business operations depend. This makes CSR a tool which has been used differently by both the government and corporations. This article explains the meaning, nature and scope of CSR and how it is received as a tool for enhancing corporate operations. The focal point of this discourse shall be Nigeria and incidental issues like the legal status of CSR in Nigeria shall be critically analysed.

Introduction
Acknowledging the overwhelming influence of MNCs and the effect of corporate globalisation [1] in the absence of an authoritative international regulatory instrument to control MNCs and the weakness of the existing national laws, CSR has become unavoidably important in strengthening corporate relations. CSR is seen as self-regulatory codes which some consider as substitute for regulation [2]. This has become very important not only because of the insufficiency of the existing national regulatory framework, but the inability of the government to fully respond to the societal demands for socioeconomic development, which has inadvertently shifted the pressure to the MNCs [3]. It is important to note that MNCs and foreign direct investments have had positive impact in transforming local economies and supporting socioeconomic development of developing countries through creating jobs, capacity building and infrastructural development [4]. These positive impacts are achieved through the auspices of CSR. However, CSR in recent times has played different roles in corporate relations depending on the motivational force behind it. For example, it could arise as a result of public pressure on the corporations on issues of human rights abuses and environmental pollution [4]. On the other hand, it could also be a genuine effort by businesses to demonstrate their commitments and goodwill towards the society on which their business operations depend.

What Is Corporate Social Responsibility (CSR)?
CSR as a concept lacks a universally acceptable definition [5] as it covers a broader range of issues [6]. The concept of CSR was necessitated by the need by businesses to ‘address wrong corporate behaviour’ which often arises from other matters incidental to the business operation like human rights abuses and environmental management, but not necessarily the business itself [7]. The World Business Council for Sustainable Development (WBCSD) [8] posits that ‘there can be no universal standard for CSR because CSR means different things to different people’ [9] due to the interplay of other determinant factors like existing cultural values, government and prevailing legal frameworks which may influence its operation and thereby increasing the level of attention and scrutiny [10].
Moon defines CSR as ‘the responsibility of enterprises for their impacts on society,’ [11] such impact might be measured by considering the benefits the society enjoys from the operations of the company as compared to the negative effects. This becomes even more relevant considering the global nature of business, with attendant globally ascending templates of corporate citizenship in engaging and meeting with societal demands [12].

The common thread that passes through the major definitions and explanations given by various writers is the affirmation that CSR connotes a ‘corporation’s obligation to its stakeholders—customers, employees, suppliers, investors and the communities surrounding the business’[13]. It transcends the idea of image making of the company through gratuitous acts of philanthropy, [3] to conscious efforts aimed at ensuring peaceful and cordial relationship with the society so as to avoid the negative consequences of hostile business environment [3]. An inference which may be drawn from here is that CSR deals with the relationship between the business and the society, [6] it helps to determine how businesses interact with the society, in the distribution of benefits to major stake holders, enhancing corporate image and creating good impacts in the society.

Nature and Scope of CSR

The traditional view of CSR was one-dimensional with shareholders being central in the chain of interaction [8]. This view considered the tangible socioeconomic benefits derived from the business by the society as philanthropic, and not out of legal obligations. The traditional model of CSR and its proponents further restricted the scope of CSR to the business chain between the supplier and the consumer [9]. On the other side of the divide, CSR is seen as catalyst for business success, [10] involving a larger number of actors and surpassing profit making to improve the overall welfare of the society within which businesses operate [11].

From the classical perspective, businesses or corporations owe economic responsibility to their shareholders while being mindful of the basic rules, ethics and laws regulating the operation of business [12], which in most cases are the codes of incorporation like the Companies and Allied Matters Act, in Nigeria and UK Companies Act, 2006 and Corporate Governance Code. For Stone [13], profit maximization as expressed by the traditional approach should not be central in CSR, rather emphasis should be more on the ethical and socially acceptable manner in which businesses are conducted in line with societal values [14].

The modern model expands the scope of CSR, incorporating human rights and the environmental impacts of business operation into consideration as parts of good business ethics [15,16]. Whilst this position holds sway, most writers like Richard, [17] integrate ethical standards in the management of resources, making this view apt for the purpose of this research as it deals more on the effect of reckless management of resources. Archie Carroll holds a broader view of CSR, which can be considered as a model definition of the concept of CSR [7]. Carroll opines that CSR could aid a better understanding of the relationship between business organisations and the society they operate [8]. Carroll identifies four areas of responsibility in the web of corporation-society relations, which are: economic, legal, ethical and philanthropic. The explanation given by Carrol clearly provides a clearer understanding of CSR. Under the economic sphere, shareholders of companies invest in the business and in return, expect to recoup their investments and make profits. Meaning the business of the company ought to be conducted in such a way that the economic interest of the shareholders is protected. With regard to the legal sphere, there are laws regulating business operations within the society like the Companies and Allied Matters Act in Nigeria, and internal mechanisms of corporate governance, like the Memorandum and Articles of Association of a company specifying the powers, functions and limits of business. This creates a legal responsibility that business must be carried out in line with the existing laws and regulations.

Ethical Responsibility implies just and fair business operations and relations with the workers, customers and other business operators. For example, customers and consumers expect good deals for their money, while other business operators deserve fair and healthy competition. An important point to note here is the overlap between law and ethics in the sense that while ethics prescribes fair dealings with customers and consumers, the Consumer Protection Law creates legal responsibility on product liability and consumer safety [9]. In the area of fair competition, the law also regulates and prohibits unfair competitions and even prescribes punishment for some offensive conducts [10].

Philanthropic responsibility finally entails that business operators or corporations give back to the society in appreciation of the economic interest they derive from the exploitation of the resources, the patronage and the goodwill of the people.
Analysing Carrol’s pyramid in the context of the Niger Delta, Multinational Oil Companies exploit the crude oil of the region with consequence of environmental pollution, it is very reasonable that the people of this region should enjoy some tangible benefits from the exploitation of their natural resources. To a reasonable extent, the MNCs operating within the Niger Delta region have shown tangible acts of philanthropy in providing social amenities, healthcare facilities, scholarship schemes and empowerment programmes for the people [11]. This justifies the philanthropic sphere of Carrol’s analysis.

The economic responsibility as might not necessarily be an issue because issues of shareholders’ agitation have rarely been recorded and in event of such issue arising, the shareholders have an internal medium of addressing such issue. E.g. shareholders can use their voting rights at general meetings to influence company’s policies, remove a director, [12] change the constitution,[13] or the shareholder’s holding can be bought out by other members. As it relates to the Niger Delta, the missing elements of Carroll’s pyramid appear to be clearly visible in the areas of both ethical responsibilities and the legal responsibility. If MNCs live up to their ethical responsibility and at the same time obey relevant environmental laws and policies relating to environmental management and exploitation of resources, then issues of oil pollution in the Niger Delta and the resultant confrontations and civil litigations would be minimised.

This also indicates a lapse in the enforcement mechanism because there are laws regulating the oil industry and environmental management [14] which if strictly followed would prevent some harmful conducts. A good example is the EIA requirement of which Shell was accused of grossly violating [15]. Also, in the area of human right laws as provided in the African Charter, most MNCs like Shell have constantly featured in law suits relating to complicity in human rights abuses [16]. MNCs have also been accused of indulging in financial inducement of public officials in Nigeria and other corrupt practices [17]. This further strengthens the fact that some areas of CSR fall within the ambit of the law and further creates the need to effectively use the law to complement ethics.

Carroll has been able to capture the major stakeholders involved in the web of corporate relations and the responsibility owed by business corporations by virtue of this relationship. However, the situation in Niger Delta exposes the absence of two salient features of CSR in Niger Delta and gives a clue on how to enhance the operation of CSR by strengthening national enforcement mechanisms to ensure that the legal and ethical aspects which have direct bearing on the society and the environmental are well integrated.

CSR as an Effective Tool for Enhancing Corporate Relations of MNC’s

Corporations all over the world do not operate in a vacuum but within an active society where their activities affect both the human and the social environment. As corporate personality, [18] a corporation enjoys rights and duties; and is to a large extent faced with similar societal problems as individuals. There are reasonable demands from society on corporations as they are increasingly seen as a source of hope with respect to alleviating poverty and facilitating socio-economic development within these societies [19].

Corporations have always contributed immensely to national development, thus complementing government efforts in this respect, through conscious acts contributing to socioeconomic programmes to maintain good relationship with the society within which they operate. For example, MNCs now assist the government in funding community development programmes, providing employments and provision of social amenities to the local communities [10]. Shell is a member of WBCSD and has pursued sustainable development objectives set for by the council despite the several environmental challenges and law suits it has faced [11]. Shell initially adopted the community assistant approach (CA) of CSR through assisting the government in sponsoring community projects [12]. This approach was based on corporate philanthropy and aimed at image building [13].

The CA approach did not really deal with issues of environment and sustainable development, and thus necessitated the need for a change in strategy. As CSR evolved, Shell decided to adopt the community development approach (CD) capacity building and investing in capital projects [14]. Shell donated about N5.3 billion in 2011, for community development in the Niger Delta region, in demonstration of its commitment towards investing in the society and strengthening its corporate relations with the major stakeholder [15].

In recent times, the government and business enterprises have shown greater interest in CSR to drive home societal gains from the business sector [16]. Government’s interest in CSR predicated on the need to live up to its primary responsibility to protect, respect and remedy in line with the Reggie’s
framework while assuring MNCs of the safety and security of their investments. This is even more important because the government has often been accused of supporting and facilitating the reckless operations of MNCs at the expense of host communities [17]. MNCs on their part, have over the years faced the challenge of gaining the trust and confidence of the society and CSR becomes a valuable tool used by my MNCs to demonstrate their commitment towards meeting societal demands and expectations [8].

Corporations respond to the demands from the society by adopting internal regulatory standards and voluntary codes of conduct to enhance their relations with the society as corporate citizens [9]. A cordial relationship between corporations and the society within which they operate is beneficial to all parties. In the case of the Niger Delta, the benefit is not only by way infrastructural development, but a better environment where due care and measures are adopted to reduce environmental and health risks. MNCs on their part are assured of the protection and safety of their workers and also optimal output without undue sabotage. The government would reduce its cost in trying to repair an already polluted and damaged environment, and enjoy greater income arising from the sustainable exploitation of the available resources. CSR has thus become an effective tool used by businesses to meet the increasing demands and expectations of consumers, government and the society [10]. It is almost practically impossible for legitimate businesses to thrive in hostile environment, especially in the case of Niger Delta, with the increasing rate of sabotage and vandalism. This is one of the reasons why MNCs are more interested in using CSR in order to demonstrate their goodwill and commitment towards the people and the environment.

CSR has in recent times been a topical issue amongst societies and businesses around the world, [11] with an appreciable level of convergence on the benefits of strengthening its application. The problem has often been in a clear understanding of the meaning and scope of CSR due to the influence of different actors like the United Nations and civil society groups who have raised the bar in defining socially acceptable behaviour [12]. The growing influence of globalisation and the issues incidental thereto, arising from human rights and the environment, has necessitated the use of CSR as an index of business efforts to address the effect of business operations on the social environment [13].

The need to enhance CSR has become quite imperative, owing to the overlapping roles of corporations in the national economy of resource rich states [14]. However, despite the wide acceptance of the changing role of CSR, especially in the face of global trade; and the drive for sustainable development, with greater emphasis on responsible business conduct and efficient management of the environment, [15] there seems to be a sharp divide on the strategy for enhancing CSR in line with the pillars of development which are: economic, social and environment [16]. The need to effectively utilise CSR as a tool for achieving optimal business objectives in the society has led to the call for regulation of CSR of Corporations.

A Case for and against Regulation of CSR

The issue of regulation of CSR has been contentious amongst different writers [17]. Most writers have held the view that CSR is a voluntary initiative of corporations which must not be unduly fettered by overstretched regulations [18]. Corporations should have the initiatives of establishing internal regulatory mechanisms, setting own operational standards in consonance with environmental benchmarks [19] as specified under the various International Environmental Agreements (IEA) [20].

It is argued that voluntary compliance allows corporations to contribute to social benefits on their own volition, without burdensome compliance with rigid regulations, as every business has its peculiarities [21]. For Stone, CSR is beyond legal rules; it is likened to the role played by responsibility in humans which accounts for certain acceptable manner humans behave even in the absence of strict legal prohibition [22]. He further opined that voluntary strategy would reduce administrative costs on the side governments in maintaining agencies and departments, in efforts to ensure compliance with regulations [23].

It is stressed that most corporations often feel inconvenienced by public legislation that tend to place some restrictions on their corporate operations and would sometimes try to outsmart the regulatory mechanisms even in developed climes, especially where such regulations or laws affect their profit margin. The Volkswagen scandal of ‘manipulating emission data and understating Co2 levels’ [24], presents a good example in this regard. Unfortunately, most MNCs that try to outsmart the existing legal regulations have ended up damaging their public image and incurring huge legal costs in the long run. This invariably adversely affects the supposed profit margin they had tried to increase through such irresponsible acts. This can be illustrated with liability [25] huge amount of money Shell spent in settling the several law suits brought against them NGOs on behalf of individuals [26] and communities [27].
Nonetheless, Corporations have increasingly tried to demonstrate their positive disposition towards enhancing their corporate social responsibility with demonstrable improvement in ‘corporate codes of conduct and global reporting initiative (Established by CERES, the Coalition for Environmentally Responsive Economies) [28]. MNCs have also maximised the Global Reporting Initiative (GRI) [29] framework to communicate and report their commitments and efforts towards sustainable development and environmental management to the stakeholders [30]. The GRI Sustainability Reporting Framework is an initiative which provides global reporting template [31] and performance assessment index for companies to report transparently their economic, environmental, and social and governance impact on the society [32].

The GRI fills the gap created by the absence of effective communication between the MNCs and the people who are affected by their activities. Most of the tangible efforts of MNCs in the Niger Delta have always gone unnoticed due to ineffective communication link, and in most cases, the government tends to take the credit for some of the developmental projects executed by these MNCs [33]. MNCs like Shell (Shell Sustainability Report 2005) and Exxon Mobil (2005 Corporate Citizenship Report) have used GRI to demonstrate their commitment as good corporate citizens [34], but the question has often been how effectively these corporate codes have been translated into tangible and realistic objectives with direct impact on the society [35]. This becomes an issue especially considering the absence of an empirical index of determining the extent of its implementation in the absence of a binding legislative framework.

While some strongly encourage voluntary corporate responsibility by companies, other organisations have advocated the need for mandatory efforts through public sector regulatory and enforcement capacity [36]. A Christian Aid report gives good examples of actual situations on how MNCs have often used CSR as a mask and smokescreen, painting an admirable picture of good ethical responsibilities while not actually living up to expectations [37].

According to the report:

British American Tobacco paints a picture of upholding high ethical standards, claims to provide local farmers with the necessary training and protective clothing while contact farmers in Kenya and Brazil say this does not happen and report chronic ill-health related to tobacco cultivation [38].

Coca-Cola is another company which professes high level of responsibility, yet its subsidiary in India was accused of draining village wells in an area where water is extremely scarce [39].

Reasoning from Carroll’s perspective, CSR admits legal responsibility as its basic component arising from the duty of corporations to conduct business operations in line with the existing laws and regulations [40]. It therefore implies that CSR imposes obligations on corporations to obey laws with duties to the communities surrounding the business [41-52]. Maximiano [53], in line with Carroll [51], agrees that ‘compliance with existing local laws and global regulations is an essential part of CSR [44]. While conducting business operations in line with the existing laws of the State is an obligation created by law, CSR is driven more by public expectations rather than strict legal obligations [54].

Habererg shares similar perspectives on the legal aspect of CSR. Buhmann is more specific on the need for convergence, on the basis of human rights concerns and the duty of the state to protect; corporation’s duty to respect and the need for access to remedies [55]. Buhmann’s position appears to be in consonance with the Reggie’s framework on the responsibility of States to protect their citizen from abuses from third parties and to provide access to both administrative and judicial redress mechanisms [55]. From the above, it can be submitted that CSR is ‘extra-legal action’ of businesses to enhance corporate relations with its major stakeholders and the society they operate [49].

As much as it may be desirable, non-regulatory initiatives by MNCs are not enough to guarantee that the environments of poor communities in developing countries are protected [50]. While voluntary actions may be appropriate for developed countries like America and the United Kingdom, with little support from the government, evidence abounds on how MNCs have polluted and recklessly exploited communities of developing nations like the Ogoni land in Nigeria, while trying to pacify the people with acts of philanthropy, which may not adequately compensate the level of damage caused, because there are some losses which are irreplaceable.
There are cases where some corporations have in some instances deviated from ethical standards, professing to operate above board while the reality proves otherwise [51]. Companies' quest for profit is identified as one of the reasons why businesses sometimes seriously erode ethical standards to the extent that even in areas where there is regulation, like taxation, companies still devise means to evade payment of taxes [52].

Legal Status of CSR in Nigeria

There are no laws expressly mandating MNCs to carry out their business operations in a specific ethical or socially responsible manner in Nigeria; CSR is often regulated by ‘corporate codes of conduct, voluntary social reporting and community development projects’ [53] within the communities where they operate. Today, CSR covers sensitive areas like human rights, [54] labour, consumer protection and the environmental issues, and even extends to issues of corruption which brings the subject matter within the limelight and purview of the various laws and legislation having direct superintend over these areas [55]. Outstandingly, this broadened scope of CSR makes it pertinent for the law to play its role within the framework of corporate regulations to ensure the protection of the environment against reckless abuse.

Regrettably, the legislative framework in this regard tends to be very weak, which is further aggravated by the lack of effective international regulatory framework from whence national legislation would otherwise draw its strength [56]. Consequently, the Companies Allied Matters Act [57], as the primary statute regulating corporations in Nigeria, in section 279 (4) deals with duties of directors to the company, shareholders and members without being explicit on the duty to the society. This can be juxtaposed with section 172 of the UK Companies Act 2006 which contains similar provisions but also creates legal basis for CSR by expressly providing for the need to consider the impact of the company’s operation on the society and the environment [58-62].

Other Nigerian laws either prohibit or prescribe standards. Section 245 of the Criminal Code [63] criminalises the fouling of sources of water, and imposes liability on individuals and corporations. NESREA Act [60], prescribes mandatory environmental standards and imposes sanctions for defaults [20-29]. A clear analysis of the various regulatory frameworks would reveal subtle mechanisms targeted at ensuring corporate responsibility through liability even without making direct reference to CSR [61].

A more explicit attempt towards establishing legal framework was the proposed Corporate Social Responsibility Commission Bill by the Nigerian National Assembly in March 2008, with further attempt in 2012 [62]. This bill is intended to inter alia, establish the Corporate Social Responsibility Commission, which shall have the primary functions of formulating, implementing policies and reliefs to host communities who would have suffered some physical or environmental degradation arising from activities of companies operating within these communities [63]. The bill also sought to mandatorily compel all incorporated companies in Nigeria to set aside about 3% (CSR Utilisation Charge) of their annual gross profits for CSR programmes, failure of which would attract sanctions [64]. This bill is yet to transmogrify into a law which makes it only important to the extent that it answers our second research question as to whether CSR is amenable to any form of regulation [65].

Conclusion

This essay has clearly explained how CSR has assumed a more complex form in line with the changing nature of societal expectations [66]. This makes the purely voluntary proposition of CSR quite inappropriate because most of the related issues like environment and ethics are either already regulated or complemented by law. In the Nigerian context, the prevailing circumstances ranging from weak regulatory mechanisms and lack of political will to enforce environmental laws makes effort by MNCs to operate responsibly to be considered as CSR [67]. This tends to downplay the role of law as a means of social control because apart from public expectations, the law has prescribed acceptable conducts of behaviour [68].

The controversy arises from the insufficiency of the law in establishing acceptable binding standards of operations for corporations and ensuring compliance. This creates a need for a common ground that can merge both the regulatory and voluntary systems to achieve the desired objectives [69]. While it can be admitted in line with the traditional view that some aspects of CSR like the philanthropic aspect are voluntary, changing priorities and societal demands have brought other aspects under the purview of the law. It is on the premise that the concept of institutionalising CSR is introduced as a common ground for both aspects. This would enhance the capacity and involvements of the government without recourse to rigid regulatory codes and at the same time ensure compliance [70].

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