

Social Corporate Responsibility and Shell



Thesis proposal

By Koen Wellink

30 januari, 2014

“The Shell Petroleum Development Company of Nigeria Ltd (SPDC) emerged Best Company in the Poverty Reduction and Child and Maternal Health categories at the annual Social Enterprise Report and Awards (SERA) ceremony held on September 24 in Lagos. SPDC was nominated in three categories, and was the only IOC that won in two. The Vice President, Human Resources, Shell Africa, Osagie Okunbor, who received the prizes expressed appreciation for the honour. SPDC’s winning entries in Poverty Reduction included LiveWIRE Nigeria and Cassava Enterprise Development Programme (CEDP).”¹

This case of 2010, shows an example of successful social corporate responsibility (SCR) implementation of the SPDC, an operator of the joint venture. This joint venture is composed of Nigerian National Petroleum Corporation (55%), Royal Dutch Shell(Shell) (30%), Total S.A. (10%) and Eni (5%). The companies operations are mainly situated in the Niger Delta which encompasses a mining lease area of around 31,000 kilometers. The mission of SPDC is “to be the operator of first choice in Nigeria through its commitment to strong economic performance and to every aspect of sustainable development.”² However, there are many problems as well. Over the years, the Niger Delta is heavily polluted and the local population expects a larger share of the revenue of the company. Furthermore, one of the reasons why Shell has a lower total profit, for the first time in ten years, in the fiscal year of 2013 is because of the ongoing problems in the Niger Delta.

My thesis will elaborate upon the Social Corporate Responsibility(SCR) of Shell in Nigeria. SCR is defined as followed: “It includes the expectation that multinationals concern themselves with the social and economic effects of their decisions. The issue is how far that concern should go and what level of planning and control that concern should take”³ Based on the contrast between Shells successful SCR and the ongoing problems the main question of my thesis will be: In what way does Shell uses SCR in Nigeria and to what extent is the use of SCR beneficial for the company?

Royal Dutch Shell

Shell is an Anglo–Dutch multinational oil and gas company incorporated in the United Kingdom and headquartered in the Netherlands. Created by the merger of Royal Dutch Petroleum and UK-based Shell Transport & Trading in 1907, it is the second largest company

¹ <http://www.shell.com.ng/aboutshell/media-centre/news-and-media-releases/archive/2010/csr-award.html>

² <http://www.shell.com.ng/aboutshell/shell-businesses/e-and-p/spdc.html>

³ Defenition book International Business Management p.7

in the world, in terms of revenue, and one of the six oil and gas "supermajors". Shell is also one of the most valuable companies in the world with revenue of \$481.700 in 2013. The company operates throughout the world. One of the countries it is operating is Nigeria. Shell started businesses in Nigeria in 1937 as Shell D'arcy. In 1938, the company was granted an exploration license. Later in 1956, Shell Nigeria discovered the first commercial oilfield at Oilobiri the Niger delta and started to exploit in 1958.⁴

MNC and SCR

As a multinational company (MNC), Shell cannot go around the fact that they have a social impact on their environment, especially in developing countries. MNC's have a powerful presence in the world economy and have often more capacity than local government to induce change.

The stance toward corporate social responsibility that a MNC as Shell should take in its international operations is way more complex from taking economic responsibility in the host's country economic development and to take an active role in solving related problems. Complexity regarding SCR is increased by the fact that the multinational should not only take into account the wishes of the shareholders in the home country, but also of those overseas.

The wishes of both groups of shareholder often contradict each other, for example when a company wants to abolish the use of child labor which could be welcomed in the home country which interest is the stimulation of human rights. In contrast, the stakeholders in the host country will be disappointed since the situation of the children could become worse and their family's income will be severely reduced. Most of the time the managerial decision will try to find a balance in the short term between the needs of both the domestic stakeholders and the host stakeholders. However, in reality this is hard to maintain in the long term, and that is why a company applies the ethnocentric approach or the principle of ethical relativism.

The ethnocentric approach means that the company applies the morality used in its home country, regardless of the host country system of ethics and values. On the other hand, the principle of ethical relativism means that the company adapts the moral code and ethics of the country it operates in. A risk which is connected to this principle is that the company can run into value conflicts with the home country because the values differ too much from each other. The next part will focus on how Shell deals with SCR.

⁴ Shell.com

Shells General Business Principles

Shell Nigeria describes five areas of responsibility to shareholders, customers, employees, business partners and the society in its Shell General Business Principle. This General Business Principle is based on Shells core values: honesty, integrity, and respect for people. In addition, these core values indicate how Shell promotes trust, openness, teamwork and professionalism, and pride in the work Shell delivers. Shell was one of the first MNC's which stated and shared its beliefs through the General Business Principles in 1976. Thanks to these principles Shell commits itself to contribute to sustainable development, balancing short and long-term interests and integrating economic, environmental and social considerations into Shells decision making. All Shell companies are expected to adopt and comply with the General Business Principles. In the situation of joint ventures, which is the case in Nigeria, Shell uses its influence to persuade its partners to adopt and apply the same principles they apply. Furthermore, Shell expects that contractors also work in line with the principles in all aspects of their work with the Shell companies.

There are eight different principles Shell uses to conduct their business. The first principle is the economic principle which focuses on long-term profitability and is essential for Shells business goals and its continuing growth. Without its profits Shell is unable to fulfill its responsibilities. Criteria for investment include sustainable development.

The second principle is competition. Shell seeks to compete fairly and ethically and within the framework of applicable competition laws in order to support free enterprise. In addition, Shell will not block others to compete freely with them.

The third principle contains the business integrity. As described above, Shell insists on honesty, integrity and fairness in all aspects of its business and expects the same from others whom Shell does business with. The main focus is the fight against bribery, and honest accounting.

The fourth principle is related to the political activities of companies and of employees. The political activities of the company should be in line with the legal framework of the host country and should be done in a social responsible manner. This does not include the payment to political parties, organizations or their representatives. However, when dealing with governments, Shell companies do have the right and the responsibility to make clear their own position in line with these business principles. Employees have the opportunity, if they wish, to engage in community activities, including standing for election to public office.

The fifth principle deals with health, safety, security, and the environment. With this principle Shell tries to look for ways to reduce the environmental impact of their operations, products and services.

Principle six is about local communities. Shell aims to be a good neighbor by improving the ways in which they contribute directly or indirectly to the general wellbeing of the communities whom they cooperate with. The social impact of the company is managed carefully and is done in a way that the local community also benefits from activities.

Principle seven is covering communication and engagement which recognizes that a regular dialogue and engagement with the stakeholders is essential. In Shells interactions with employees, business partners and local communities, Shell seeks to listen and respond in an honest and responsible way.

The final principle deals with compliance which means that Shell complies with all the laws and regulations of the countries in which it operates.⁵ Now we now the General Business Principles of Shell which incorporates SCR we continue to focus on whether or not Shell adopt an ethnocentric approach in Nigeria.

⁵ Shell General Business Principles- <http://s00.static.shell.com/content/dam/shell/static/aboutshell/downloads/who-we-are/sgbps/sgbp-english.pdf>

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