

The Challenge of Balancing Ethical and Philanthropic Responsibilities by Companies in Extractive Communities

Ogechi Okoro ^a, Uzoukwu Ejekwumadu ^b

^b Waikato Institute of Technology, New Zealand.

^a Corresponding author: ogechi.okoro@wintec.ac.nz

OIDA International Journal of Sustainable Development, Ontario International Development Agency, Canada

ISSN 1923-6654 (print) ISSN 1923-6662 (online) www.oidaijsd.com

Also available at <http://www.ssrn.com/link/OIDA-Intl-Journal-Sustainable-Dev.html>

Abstract: The discourse on ethical responsibility of business has been elevated in the last couple of decades following some crisis, which calls to question the ability of business managers to make moral decisions. Consequently, pressure groups from around the globe have been sensitizing the public on unethical practices by business through awareness campaign, education, and social media platforms. This has increased the momentum that business should at the very least act responsibly. In this paper, we investigate how philanthropic responsibility undermines ethical responsibility in extractive communities in less developed societies. For example, international oil companies (IOCs) that operate in the Niger Delta Region of Nigeria (NDR) are not apprehensive of their ethical responsibility because they are dealing with an impoverished people, whose preoccupation is daily sustenance. Most extractive communities are beleaguered with poverty and the lack of basic infrastructure that make life meaningful. Therefore, the paper analysis how a CSR framework referred to as Global Memorandum of Understanding (GMoU) has diverted attention from ethical responsibility of IOCs in the NDR. The study finds that the GMoU framework aligns with the business case, where firms engage in activities that guarantee business continuity and profitability. Therefore, the framework establishes a correlation between philanthropic responsibility and poverty. It is also clear that poverty is a major reason why different stakeholders in the region are not vocal about the neglect of ethical responsibility by IOCs. While acknowledging some limitations; the paper strongly suggests the inclusion of ethical responsibility in the GMoU framework at the same time concedes to the transformational effect of the framework in host communities.

Keywords: Ethics, Immoral Management, Extractive Community, Philanthropy, GmoU

Introduction

With increasing global awareness, which is promoted by access to education and the proliferation of information and communication technology (ICT), the discourse on ethical responsibilities of business has been elevated to the next level. This development has widened an already wide expectations gap. Carroll, Buchholtz, & Brown(2018) in their pivotal work attribute this gap to a number changes in society. They reckon that these changes are not unrelated to pressure exerted on business from all angles to act in a manner that is consistent with fairness and justice. Therefore, the issue of business ethics is now paramount.

In this regard, moral hypocrisy of management has called to question the level of consideration for business ethics. For example, the work of Okoro (2017)takes exception to a lack of attention to ethical responsibilities by IOCs in the oil rich NDR based on the fact that it does support their business interest in the current situation. Business ethics at its elementary stage is a value system that delineates right from wrong, fair from unjust etc (Freeman & Gilbert, 1988; Carroll & Buchholtz, 2015). Essentially the authors are simply ascribing value to action, which in turn guides the decision of managers on relevant ethical issues.

In the last couple of decades, the conversation about business ethics has taken a prominent place in the relationship between business and society. Furthermore, a number of events have redefined the way in which society views corporations. While the fiduciary responsibility of managers can hardlybe argued, the need to act responsiblycannot be wished away (Carroll, Buchholtz,& Brown, 2018). Therefore, ethics is not an optional issuein the 21st century

rather it is viewed as a condition that business has to meet in order to survive and remain competitive (Coutinho de Arruda & Rok, 2016). The central theme is suggestive of the fact that firms move beyond just obeying the laws of their business environment but engage in activities that encourage the sustainability of society. Put simply, business is expected to not only act right because society is watching but for the common good. In the business world, this presents a lot of ambiguity given the associated conflict of interest.

Business ethics has gained grounds with some outspoken business leaders such as Bill Gates, Richard Branson, Warren Buffet etc. Given the industry leadership of some of these entrepreneurs, ethics is fast becoming part of business accountability. Bill Gates lately is advocates for creative capitalism, where both business and society work together for the common good. Most importantly, it is argued that sound business ethics policy shapes how an organization carries out its ethical responsibilities.

Revisiting the Enron Crisis

The fall of Enron arguably redefined business and society approach to business ethics. It opened a Pandora regarding the ethical responsibilities of business. In their analysis, Petrick & Scherer (2003) reckon that the Enron crisis was a function of the neglect of management integrity. In their opinion, the remote cause can be traced to unethical practices of management. Considering the three ethics management approaches espoused by Carroll, Buchholtz, Brown (2018), the recklessness of Enron executive could not be separated from amoral and immoral management ethics model. Arguably, they did not demonstrate an acceptable level of understanding regarding ethical responsibilities of business. The prevalent atmosphere then was that of descriptive ethics, which implies that a prevalent practice is accepted without any established logic. Consequently, the neglect of business ethics became a norm as opposed to the exception.

Following the above scenario, Enron's focus was entirely performance-driven as employees tried to achieve their business targets notwithstanding the underlying ethical imperatives. The Enron saga completely negates a balanced judgment, which promotes the development of business morals (Petrick, 2000). Additionally, the law seems complicit on ethical issues. A classic example is the exercise of constitutional right by Enron executive, where they pled the Fifth Amendment. This approach completely undermines an organisation's integrity and capacity i.e. being fair, just, and right (Cruver, 2002). This ethical neglect led to the annihilation of Arthur Andersen, a major stakeholder in the Enron crisis. The company was accused of fraudulent auditing of the books of Enron to their mutual advantage (Toffler & Reingold, 2003).

Lately, some scandals advance criticism of the ethical responsibilities of business. For example, in 2016 some automobile companies admitted some wrongdoings, which are based on business ethics. General Motors admitted to deceiving the public on certain defects in their car parts. Similarly, it was also revealed that Takata Corporation was selling defective air bags (More, 2015). These fit into the narrative of critics of business ethics and emphasises the business case of business decisions. Unfortunately, these bring to glare familiar worries on the social and ethical implication of such business actions and negatively affecting the conversation on business and society interface.

Understanding Business Ethics

The current debate on ethics has elevated public outcry on the level of attention given to the negative impacts of business activities. Some events have raised the bar for business accountability and their ability to take responsibility for the effects of their policies and actions on society. The academia and business community have provided a number of definition for business ethics. This paper will adopt an academic approach to define, analyse and reflect on this subject. Carroll & Buchholtz (2015) in their seminal work define business ethics as a concept that is concerned with fair and moral behaviour by business in terms of actions, inactions, practices, policies etc. Business ethics arguably shapes the manner and form in which a company goes about its ethical responsibilities. Put simply, business ethics sets the stage for ethical responsibilities, which is one of the four popular responsibilities of business.

In today's conversation on business ethics, the fall of Enron will remain an important reference point for both business and the academia. Following the Enron crisis, Callahan (2004) notes its role in accelerating the maturation of business ethics. Ellis (2003) previously reasoned that the Enron crisis left a permanent mark on business by exposing some ethical problems associated with business. Consequently, companies like Tyco, Arthur Andersen, WorldCom, etc. had to close shops. Irrespective of the fact that the discourse on business ethics has been elevated to an unprecedented level, the benefits are largely felt in developed countries as opposed their less developed counterparts. This insight has been attributed to things like education, affluence, awareness, etc. The impact of education and affluence on ethical responsibility of business will be particularized.

The implications of ethics for business can hardly be denied. References have been made by academics to how ethics has affected business organisations. For example, Eweje(2001) contends that 'good business' is a function of 'good ethics'. Indeed, stakeholders are unanimous in their request that business become more responsible corporate citizens (Jamali & Mirshak, 2007). However, Okoro (2017) notes that a business' approach to ethics will depend on a number of factors that include organisational philosophy, the society, and management approach etc. It is not arbitrary to state that the focus on business ethics has expanded the horizon of CSR. Therefore, business ethics is pushing companies to be more committed to helping society through the diversification of their CSR activities. This situation cannot be generalised given that CSR is driven by poverty in most developing nations. For example; the GMoU, which is a CSR best practice exemplar, is driven by poverty and business case (Okoro, 2014). In order to underscore the significance of business ethics, a business case was made by the Business Roundtable; which summarizes thus, "The corporate community should refine and review efforts to improve performance and manage change effectively through programs in corporate ethics... Corporate ethics is a strategic key to survival and profitability in this area of fierce competitiveness in global economy". Some people may argue differently today because the world is moving beyond profits as some notable entrepreneurs like Bill Gates are championing for creative capitalism, where businesses are encouraged to see profit in doing good.

Ethics Movement

Aided by the media, criticism of business ethical responsibilities is now commonplace. This tendency has led to a greater focus on what business is not doing right, thereby ignoring the fact that business has served capitalist economies well (Carroll, Buchholtz, & Brown, 2018). The Enron question resurfaced during the 2008 Wall Street collapse, which led to a global recession. The aftermath of this was a near collapse of the US' biggest financial institutions, keeping the argument on whether the world is completely out of the recession ongoing. The finger pointing for this failure still goes on. However, the remote cause of the crisis may bother around business ethics as both borrowers and lender may have been self-interested and ignored due diligence (Hovanesian, 2008). The Occupy Wall Street (OWS) of 2011 could be a direct consequence of a perceived lack of human face by Wall Street. Nonetheless, some analysts find government complicit in some of the cases and the debate still goes on...

Interestingly, OWS succeeded in raising awareness on business conduct, which simply is a reflection of their management of ethical responsibilities. From a different perspective, this awareness may have been orchestrated by education and affluence which is lacking in developing countries. In the light of increasing ethical awareness, it is little wonder that there is no longer an exodus of young graduates to Wall Street. At this time, their destination is the Silicon Valley, where they perceive they can make both money and positively (ethically) contribute to society (CNNMoney, 2016). The question is why are young graduates in developing countries like Nigeria not thinking similarly. The contributions of some of these activities to the contemporary discourse on business ethics cannot be overemphasised.

A Look at Business Philanthropy

Business philanthropy takes different shapes in different societies. The understanding of business philanthropy in New Zealand may differ from that of NDR based on certain factors. Philanthropy arguably is as old as the world. Notable philosophers have described philanthropy in different forms. Overall, the consensus is that this concept emanates from certain religious doctrines. The charity principle has been associated with philanthropy, which mandates the wealthy to support society's less privileged (Frederick, 1998; Mitnick, 1995). As society evolves, the nature of philanthropy is adjusted. This adjustment has led to public criticism of business, accusing them of engaging in strategic CSR. However, there are pieces of evidence to suggest that CSR has been elevated from image laundering to include consumer needs and overall interest of society. While this might be true in developed nations, CSR remains at the welfare provision level in most developing nations. For instance, the modus operandi of the GMoU is to provide for the community all the things that the government is not able to provide. In the most simplistic expression, the program is designed to fill the gaps created by weak institutional environment (Okoro, 2014). Idemudia (2007) notes that this approach feeds into the dependency philosophy. According to Carroll, Buchholtz, & Brown (2018), such attitude is honed by an entitlement mentality. This is a situation where a particular group feels that they are owed something based on their determination. The entire narrative is to establish that philanthropy (discretionary giving) is pursued as a business strategy in less developed countries. Affluence and education in developed countries have made those societies to shift attention from philanthropy to ethical responsibilities. Hence, CSR has moved beyond philanthropy and image laundering and now associated with consumer needs in general and societal benefits at best (Sharma & Kiran, 2013).

Ethical Responsibilities

Having described the meaning of business ethics, it becomes a requirement to analyse business' approach to ethical responsibilities. Carroll (1979) in his widely cited pyramid summarised business responsibilities in four parts. He identified economic, legal, ethical, and philanthropic responsibilities as the core of business. In this case, focus will be on ethical responsibilities of business. In reality, laws are great but never sufficient to address all of society's problems. In this instance, ethical responsibilities are used to fix those things that are not codified in the legal system, striving to achieve fairness for all stakeholders. Changes in laws sometimes can be attributed to changes in ethics (Carroll, 1998). Lived experience confirms that ethical changes have accelerated legal change making things previously viewed differently to be acceptable as laws in certain societies. Carroll & Buchholtz (2015) contend that part of ethical responsibilities could mean embracing emerging values that society expects business to incorporate thereby, continually placing ethics at the centre of business activities. The discourse about ethics would seem to be localised in the developed societies at this point.

It has been argued that the above perception is orchestrated by the actions of both Western academics and multinational businesses, which are founded and promoted by Westerners. Conversely, academics in developing countries focus more on how business can uplift society through giving (Philanthropy). For example Amaeshi et al. (2007) suggest the adoption of a localised form or CSR to address local needs in poor countries. Paradoxically, the authors did not make a strong case for ethical responsibilities of business operating in such countries. In their wisdom, philanthropy is more relevant in societies like Nigeria more than ethical responsibilities. From a reality point of view, the authors are simply expressing opinion consistent with the situation ground.

Business, Societies, and Ethical Responsibilities

It will be incomplete to analyse how companies carry out their ethical responsibilities without bringing the society in perspective. Elementary ethics suggest that obeying the laws of the land is being ethical at the very minimum. The degree to which a business accepts ethical responsibilities might not be unconnected with the society in which it operates (Okoro, 2017). Arguably, companies operating in countries with strong institutional environment are more likely to act ethically and vice versa. The prevalent practice in a society determines what is considered ethical in most cases. Some businesses are descriptive in their approach to ethical responsibilities by focusing more on what everyone else in the industry does irrespective of the impact on stakeholders. For example, a society where it is common practice for business to bribe authorities, it becomes very unusual for any business not to follow suit because that seems to be the prevalent situation.

The argument that society affects how seriously business takes its ethical responsibilities is hard to inflate. A review of the Transparency International Perception Index (2016) establishes a relationship between corruption and the common good. Countries that rank very low on the Corruption Perception Index are more likely to tolerate companies that act with impunity. For example, Nigeria is ranked 136 with a perception score of 28. The implication is that the nation is not making the required effort to fight corruption. This may not be unrelated to the fact that companies such as IOCs are hardly held accountable for their actions. Typically, such societies allow environmental disasters such as oil spills to go unnoticed. Conversely, societies with high transparency score will promptly hold such IOCs accountable by invoking the law. Reference is made to the response of BP to the 2010 oil spill in the Gulf of Mexico. The US government based on the strength of their institution masterminded the corporate social responsiveness. To underscore the double standards in some organisations, Steiner (2010) in his report accuses Shell Nigeria of operating well below internationally recognized standards to prevent and control oil pipeline spills. It is not awkward to assume that a nation sets the standard for business ethics. In summary, analysts opine that these reports paint a disturbing picture of the level of impunity in West Africa and how some multinational enterprises are culpable.

The overarching fact is that a country that is unable to fight corruption may not be able to hold business accountable for wrong doings. The situation was summarized by Ugaz (Chair, Transparency International) thus "In too many countries, people are deprived of their most basic needs and go to bed hungry every night because of corruption, while the powerful and corrupt enjoy lavish lifestyles with impunity" (Transparency International, 2016). This narrative supports Campbell (2011) earlier position that the oil boom in Nigeria benefited only the elites and politicians and that the IOCs have become big players in the political arena. This development makes it very challenging to monitor the level of IOCs' dedication to their ethical responsibilities. Put succinctly, the report makes case for ethical responsibilities by acknowledging that countries at the bottom of the index are more likely to face

situations of bribery and extortion and rely on basic infrastructure that have been undermined by corruption. This description epitomizes what is prevalent in most sub-Saharan African countries with Nigeria at the top.

The NDR, a Community in Need

From the late 1990s, the NDR became a major source of concern for Nigeria and by extension the international community. The territory assumed a haven for violence, instability and tension resulting in lingering crisis between the IOCs and host communities (Ikelegbe, 2005). All these made NDR gain the attention of both the international and local communities as well as rights groups given its implication on global oil market (Ikelegbe, 2005; Watts, 2005). Statistics indicate that the crisis in the NDR has had direct impact on oil price. The Centre for Strategic Studies noted this in a report (CSIS, 2004). The report confirms that the situation in the region raises concerns for nations that are dependent on imported oil. Irrespective of the contribution of this region to national wealth. The level of poverty in the region belies the oil wealth (Krishna, 2007). Given the unimaginable level of poverty in the region, the focus of IOCs remains providing for the communities in order to guarantee business continuity. This approach relegates ethical responsibilities to the background.

The study of Okoro (2014) corroborates the neglect of ethical responsibilities by IOCs in the region. Participants in the study could hardly relate to any form of unethical practice of IOCs in their communities. For the purposes of the study, participants were drawn from the public sector, IOCs, Host Community Leaders, and Subject Matter Experts. They focused on what they are getting or not getting from IOCs in their community. With the exception of only one subject matter expert, who raised concerns about the inability of IOCs to follow international standards in their oil E&P in the region, no other participant reasoned in that line. Evidence from a town hall meeting suggests an unimaginable level of dependence on IOCs for social welfare provision. Indeed the reasoning behind the GMoU is to provide communities with support in order to guarantee an uninterrupted oil E&P. The whole approach feeds into the business case. However, the volatility of the area will compel most businesses to find alternative means to conflict resolution (Frynas, 2009; Okoro, 2014). Prior to these, Eweje (2006) and Frynas (2005) concur that the region requires a more sustainable approach to ensure business continuity. There is a push for IOCs to explore sustainable areas such as closing gaps in dropout rates in schools, science and math teachers, and the lack of local health personnel through existing CSR frameworks such as the GMoU.

What the GMoU Does Not Say

Most extractive communities especially in developing nations are associated with conflicts. Conflict in the opinion of the United Nations (n.d.) arises when two or more groups assume that their interests are incompatible. Sequel to this, the United Nations Security Council (UNSC) highlights the role of business in conflict within their operating environment. In the case of NDR, conflict exists amongst communities and between IOCs making it a multifaceted situation. Debatably, IOCs are the most important member of the extractive industry and this puts them in direct conflict with affected communities. There is an acknowledgement that the extraction of natural resources such as oil and gas escalate and sustain violence in most societies (The United Nations, n.d.). There is no intent to hastily generalise that all conflicts bring about negative consequences. On a balanced note, it is fair to note that both violent and non-violent conflicts have led to changes that are beneficial to society especially in the areas of ethics and CSR. Consequently, the birth of GMoU in the NDR can be attributed to both violent and non-violent conflicts (Okoro, 2014).

The GMoU – NDR's CSR Best Practice Recipe

Okoro (2014) notes that the discovery of oil in Nigeria in the 1950s has had extremes of both positive and negative impacts on Nigeria's economic, political, social and environmental landscape particularly the NDR. It is not an exaggeration to express that this discovery propelled a hitherto insignificant political region to the centre stage (Idemudia, 2012). Since then IOCs have been handling challenges at all fronts and this has escalated the need for community-based strategies that proactively engage stakeholders in the region. In this regard, some scholars point to the urgency to customize CSR approaches to suit countries in sub-Saharan Africa particularly Nigeria as opposed to being tailored towards Anglo-American societies (Amaeshiet al. 2007). This argument is further emphasised by Wagner, Lutz, & Weitz (2009), where they advocate a CSR that is independent of the West; a CSR that enhances an institution not one that fills the gap in institutions. It is not unfounded to assume that the extant CSR practices in the NDR aligns with the later argument. For example, the CSR investments of IOCs are concentrated in NDR based on obvious reasons. Remarkably, the NDR accounts for most of IOCs' oil E&P activities in Nigeria. The 1970s and 1980s ushered in different perspectives for CSR in a number of sectors. However, Shell was the first major oil

company to publish a social report in 1998 (Idemudia, 2007). This effort continually sets Shell apart from other IOCs in terms of commitment to community development (Okoro, 2014)

In order to address the quest for a local form of CSR best practice, some IOCs in Nigeria came up with this framework known as the GMoU. Many factors speeded this evolution in community engagement. A GMoU is a written statement of understanding between an IOC and a group of communities that incorporates roles of such communities in the implementation of community development plan. The reasoning behind this approach is to create a participatory development process that addresses the needs of host communities (Okoro, 2014). The initiative offers these communities greater roles in *selecting, planning, designing and executing developmental projects* through a management known as Regional Development Committee (RDC). The RDCs have the responsibility to plan and manage development projects within their geographical enclave. They carry out these activities in conjunction with a Project Review Committee. The main objectives of this CSR approach are to foster peace, create stability and reduce conflict within the areas IOCs operate. Considering the above highlighted area, it is apparent that there is no ethics dimension to this framework. Thus, the GMoU is simply redefining corporate philanthropy

The Things that Pushed IOCs to the GMoU

There is sufficient data and media publicity to support the fact that Nigeria is a very challenging environment to conduct business activities. On the contrary, it could be very attractive for businesses that focus on the business case. Arguably, violent conflict accounts for the major changes experienced in the NDR. Okoro (2014) in his submission identifies equitable distribution of oil resources as a major driver of conflict in the region. Interestingly, the United Nation (n.d.) identified principles that drive extractive industry-related conflicts, which align with the findings of Okoro (2014). Three of such principles are considered relevant to this paper. Therefore, it is pertinent to discuss those principles in relation to the actions of IOCs in the NDR.

▪ *Inadequate benefit sharing*

According to Okoro (2014), inadequate benefit sharing serves as a catalyst for most violent conflicts in the NDR. Host Community participants in that study reason that only little is given to them from the crude oil resources in their backyard. This is a severe case of entitlement mentality as illustrated earlier. It is not confusing that this is one of the principles that could have led IOCs to rethink their level of commitment to stakeholder engagement in their host communities. Authors including Frynas (2009), Idemudia (2014), and Eweje (2006) have expressed concerns over the distribution of oil revenue in the NDR. This situation places the IOCs in the position of government in these communities. Similarly, increased demand by host communities in NDR for; equal participation, the right to make decisions about equitable distribution of resources, IOCs started exploring feasible options to incorporate host communities into their business strategy (Ikelegbe, 2006; Watts 2004, Watts & Kashi, 2008). There could be a probable link between the above and the formation of the GMoU

▪ *Poor Engagement of Communities and Stakeholders*

The evolution of CSR activities of IOCs in the NDR illustrates a contrast between the meaning of stakeholder engagement today and what it used to be then (Okoro, 2014). A direct insight from the above study confirms that communities were not treated like partners in the past. As one community member put it “before the GMoU, we were not respected by these oil companies but now they see us as human beings”. The GMoU is completely participatory and rests power in the hands of host community members (Idemudia, 2007). However, Frynas (2009) conveys a disappointment on how some IOCs embark on projects without due consultation with stakeholders. The unpleasant side of this is that it leads to providing unsuitable infrastructure for community use he reckons. On the contrary, the findings of Okoro (2014) suggest that this mistake is no longer witnessed because of the GMoU structure. Below is the evolutionary trend of CSR in the NDR. The table below demonstrates that CSR in the region has gone through many phases underscoring the need to proactively engage stakeholders at grassroots. The evolution is a confirmation of a lack of consideration for ethical responsibilities in this region by IOCs. However, it is a good development for the community given government’s ineptitude.

CSR Activity	Acronym	Year	Scope
Community Assistance	CA	1970s	Limited (Charity-Based), No Host Community Input. Reactive in Nature
Community Development	CD	1990s	Limited (Philanthropic), No Host Community Input. Reactive in Nature
Sustainable Community Development	SCD	2003	Enlarged in Scope with Limited Host Community Involvement. Slightly Proactive
Global Memorandum of Understanding	GMOU	2005 - Date	Participatory, Wider Scope with Host Communities Actively Making Development Decisions. Completely Proactive and Futuristic

Source: Okoro (2014)

▪ *Mismanagement of Funds and Financing of Wars*

Mismanagement of funds can be seen in every facet of Nigerian society. Unfortunately the system is built on kickbacks and corrupt practices in many respects (Campbell, 2011). The elites are accused of being the major beneficiary of Nigeria's oil wealth. This principle formed the backbone for the GMoU and many joint ventures in the region. The IOCs have been in Nigeria for too long not to be ignorant of the approach of some elites to development funds. Given the regular conflicts in Nigeria particularly the NDR, IOCs had to devise means of making the communities feel directly the impact of their investment in community development. Irrespective of this relative altruism, some elites still have domineering presence in community development matters as evidenced in a heated argument amongst community members in a town hall meeting in the NDR (Okoro, 2014). In the clime of NDR, mismanagement of funds is a major driver of violent conflicts. Such funds in some instances are invested in militants, who are willing tools for destruction. The effect of this can be seen in the bastardization of militancy in the region, some commentators find IOCs complicit. Following this, a contribution to peace and security by IOCs in the region could be considered ethical though they are core functions of the state (Jamali&Mirshak, 2010). All these point to the IOCs having overwhelming influence on every aspect of the communities' life. This is a classic case of business having too much power, which is one of the arguments against CSR.

The emphasis on these three principles supports the original intent to demonstrate that ethical responsibilities of IOCs are ignored in the NDR because communities are provided with social benefits. The inconvenient truth is that this approach might be based on the prevalent poverty in the region and other indices that are synonymous with corruption. This belies the ability to ask that question of how oil E&P are carried out in the region. Host community members are not conversant with ethical responsibilities but are very vocal about wanting more compensation from IOCs. The issue of IOCs not adopting international standards regarding their practices has been there. However, stakeholder are reluctant to take that path because they perceive that it does not directly benefit host communities (Okoro, 2014). Nonetheless, some international organisation are using different avenues to expose some actions of IOCs in NDR considered to be unethical. For example, to ensure that IOCs in NDR are held accountable for double standards, the Amnesty International and Friends of the Earth Netherlands filed a complaint against Shell at the Dutch and UK National contact points dealing with the OECD Guidelines (OECD Watch, 2011). Critics of IOCs consider this a step in the right direction.

The report by Okoro (2014) illustrates the level of consideration given to the four social responsibilities of business as articulated by Carroll (1979). In that report, philanthropic responsibilities were the most considered as IOC managers and other stakeholders did not discuss ethical responsibilities. The focus was on how to address the needs of host communities to ensure the atmosphere was peaceful thereby promoting business interest. Interaction with stakeholders shows that people in the region are more interested in daily sustenance, leaving no room to hold IOCs accountable on some of the perceived unethical practices that some NGOs are fighting for. There are unsubstantiated

reports that some stakeholders invoke the power and urgency attributes in the region to promote violence. The unethical aspect is that such stakeholders claim proximity to the management of IOCs in the region. There are also reports that some IOC patronise illegal bunkering activities by engaging their services to fuel marine vessels and floating Production Storage Offloading vessels (FPOs). The report alleges that such suppliers engage in illegal bunkering making their products cheaper (Alike, 2017). The IOCs in question deny all these allegations citing their commitment to transparency. This report if confirmed exemplifies ethical bankruptcy on the part of such IOCs. Unfortunately the common man in the NDR has no business with how IOCs select their offshore contractors. This attitude can be traced to poverty and low level of education in the region.

Who Manages the Ethical Challenge?

Organizations are built on shareholders' vision and managers, who are responsible for the day-to-day running of the company implement this vision. The model of management ethics adopted by managers would determine their level of commitment to the company's ethical responsibilities. Drawing on the work of Velasquez & Rostankowski (1985), it is dynamic to explore different types of management ethics found in an organization. For the purposes of clarity, Carroll, Buchholtz, & Brown (2018) pinpoint three types of management ethics approach. Based on the authors' previous studies in the region, there is no ambiguity in aligning IOC managers with the closest model of ethics management. The model of ethics management observed among some IOC managers are similar to immoral management (Okoro, 2014). According to Carroll & Buchholtz (2015), immoral management ethics ignores ethical principles or guidelines. This approach is considered a conscious opposition to what is right, fair, and just.

From the author's perspective, the managers are aware of ethical principles that govern oil E&P but choose to be silent on their organization's ethical responsibilities. They draw on the ignorance of the locals and the corruption that pervades the entire system. This approach guarantees maximum profitability and organisational success at any cost (business of business). The applicable strategy takes advantage of any opportunity to further business interest. Evidence suggests that some of these managers cut corners where and when necessary. Overall, managers are responsible for operational activities, which include ethical responsibilities. There is no unfairness in holding them to account on the negative impacts of their business activities.

Conclusion

Available data suggest that communities in NDR do not have the social capacity to engage in activities that guarantee sustainable development. The debate on whether the oil wealth from the NDR has empowered the host communities in terms of wealth and economic development is ongoing (Idemudia, 2014). It is little wonder that they depend on IOCs for virtually everything that makes life worthwhile. The IOCs understand this fact by focusing on tokenism, which diverts attentions away from some of their unethical practices (Okoro, 2017; Frynas, 2009; Eweje 2006;). The GMoU without much contradiction is a step in the right direction. However, the political intrigues within and amongst members of the action committees leave nothing to be desired (Okoro, 2014). There is no indication that the major stakeholders in the region will give ethical responsibilities the desired attention considering the level of poverty in the region and nationwide. Therefore, IOC managers are expected to at least apply standards that are applicable to other nations (Developed) to the NDR in their oil E&P activities.

The contribution of oil spills and gas flaring to poverty and unemployment does not resonate with the major stakeholders in the NDR (Idemudia 2009). This phenomenon is not unusual in a society with high level of poverty and low level of education. There is little ambiguity in establishing relationship between the ability of an impoverished community to hold firms accountable for unethical practices and their dependence on such firm for sustenance. Poverty, low awareness and education may have positively played into the hands of IOCs to shield them from ethical responsibilities. The consequence of ignoring ethical responsibilities by stakeholders in the region can be found in the level of environmental degradation and the quality of life in the region (Okoro, 2014).

The near non-existent awareness of the ethical responsibilities of IOCs is a function of certain indices that are identical to developing countries. Factors such as awareness, education, and affluence have influenced society's criticism of business ethics (Carroll, Buchholtz, & Brown, 2018). In developing societies, education and affluence are not commonplace. Therefore, it will be more challenging to hold IOCs to account in societies like NDR. This does not preclude the fact that young people in the region have access to internet and social media. The author observes that their social media conversations are not tailored toward making the region more sustainable by holding IOCs accountable through the platform.

It is not extraordinary to expect IOCs to incorporate ethical responsibilities in their various CSR framework in the region. At the very minimum, it is unethical to take advantage of people based on their level of awareness. Suffice it to say that IOC activities have contributed to the poverty and high level of unemployment in the region (Idemudia, 2009). Conversely, it is equally fair to mention the efforts the IOCs are making through the GMoU to address some of the concerns. It cannot be ruled out that youths in this region are presented with sustainable opportunities that have potentials of securing them a better future. There are indications that most stakeholders in the region are only interested in the nickels and dimes from IOCs (Okoro, 2014). The risk is that someday, they will become aware and come after IOCs for reparations. The forthcoming elections may give some groups in the region an excuse to foment trouble. There is always allegation about the ability of IOCs to influence the political terrain to further their business interest. This behaviour is considered to be at the core of unethical practices.

Recommendations

Given a rapidly accelerating ethics movement, IOCs should outline ethical responsibilities goals by adopting a 'millennium development goals' style. The approach should be to incorporate such goals in the GMoU framework. Such goals ought to include transparency in the management of oil spills and other environmental accidents based on international standards. The cliché of 'we think globally and act locally' should be jettisoned by IOCs in the NDR. Indeed, it should be a case of one-size fits all because such approach will eliminate double standards.

Conflict management in the regions should experience a reasonable degree of transparency. IOCs understand the divide and rule principle in Nigeria and have pushed it to the limit. Finally, local academics and major stakeholders in the oil and gas sector should pay attention to ethical responsibilities of IOCs in the NDR and hold them to account when necessary. IOCs can also equip host community members with tools that will help in holding them accountable for double standards (i.e. operational activities, spills, disasters etc.). This could change the impression that IOCs in less developed countries do not follow their international code of practice in those countries.

References

- [1] Alike, E. (2017, September 5). *Nigeria Loses \$1bn to Illegal Bunkering Annually as Oil Companies Patronise Illicit Market*. Retrieved from Thisdaylive.com: <https://www.thisdaylive.com/index.php/2017/09/05/nigeria-loses-1bn-to-illegal-bunkering-annually-as-oil-companies-patronise-illicit-market/>
- [2] Amaeshi, K., Adi, B., Ogbechie, C., & Amao, O. (2007). Corporate social responsibility [CSR]: Western mimicry or indigenous practices. *Lagos Organizational Review*, 4(7), 11 - 22.
- [3] Callahan, D. (2004). *The Cheating Culture: Why More Americans Are Doing Wrong to Get Ahead* (1st ed.). San Diego: Harcourt, Inc.
- [4] Campbell, J. (2011). *Nigeria Dancing on the Brink*. Lanham: Rowman and Littlefield.
- [5] Carroll, A. B. (1979). A three-dimensional conceptual model of corporate social performance. *Academy of Management Review*, 4, 497 - 505.
- [6] Carroll, A. B. (1998). The Four Faces of Corporate Citizenship. *Business and Society Review*, 100(1), 1-7.
- [7] Carroll, A. B., & Buchholtz, A. K. (2015). *Ethics, Sustainability, and Stakeholder Management* (9th ed.). Stamford: Cengage Learning.
- [8] Carroll, A. B., Buchholtz, A. K., & Brown, J. (2018). *Business & Society: Ethics, Sustainability & Stakeholder Management* (10th ed.). Stamford: Cengage Learning.
- [9] Coutinho de Arruda, M. C., & Rok, B. (2016). *Understanding Ethics and Responsibilities in a Globalizing World*. AG Switzerland: Springer International Publishing.
- [10] Cruver, B. (2002). *Anatomy of Greed: the Unsettled Truth from an Enron Insider*. New York: Carroll and Graff.
- [11] Eweje, G. (2001). *Corporate Social Responsibility and Multinational Enterprises in Developing Countries: Natural Resource Exploitation in Nigeria, South Africa and Zambia*. University of London. London: Unpublished Doctoral Dissertation.
- [12] Eweje, G. (2006). The role of MNEs in community development initiatives in developing countries: Corporate social responsibility at work in Nigeria and South Africa. *Business and Society*, 45(2), 93-129.
- [13] Frederick, W. C. (1998). Moving to CSR. *Business and Society*, 40-59.
- [14] Freeman, R. E., & Gilbert, D. R. (1988). *Corporate Strategy and the Search for Ethics*. Englewood Cliffs: Prentice Hall.
- [15] Frynas, J. G. (2005). The false developmental promise of corporate social responsibility: Evidence from multinational companies. *International Affairs*, 81(3), 581-598.
- [16] Frynas, J. G. (2009). *Beyond corporate social responsibility: oil multinational and social changes*. New York: Cambridge University Press.

- [17] Hovanesian, M. (2008, August 11). Pointing a Finger at Wall Street. *Business Week*, p. 80.
- [18] Idemudia, U. (2007). Retrieved from United Nations Research Institute for Social Development [UNRISD]: [http://www.unrisd.org/unrisd/website/document.nsf/8b18431d756b708580256b6400399775/d7737bee64bc1257c9004537e/\\$FILE/Idemudiapdf](http://www.unrisd.org/unrisd/website/document.nsf/8b18431d756b708580256b6400399775/d7737bee64bc1257c9004537e/$FILE/Idemudiapdf)
- [19] Idemudia, U. (2012). The Resource Curse and the Decentralization of Oil Revenue: The Case of Nigeria. *Journal of Cleaner Production*, 35, 183-193.
- [20] Idemudia, U. (2014). Corporate–Community Engagement Strategies in the Niger Delta: Some Critical Reflections. *The Extractive Industries and Society*, 1(2), 154-162.
- [21] Ikelegbe, A. (2005). Encounters of insurgent youth association with the state in the oil rich Niger Delta Region of Nigeria. *Journal of Third World Studies*, 22(1), 151-181.
- [22] Interagency Framework for Preventive Action. (n.d.). *Extractive Industries and Conflict*. United Nations.
- [23] Jamali, D., & Mirshak, R. (2007). Corporate social responsibility (CSR): Theory and practice in a developing country context. *Journal of Business Ethics*, 72(3), 339 - 364.
- [24] Krishna, S. D. (2007). Stakeholder activism through nonviolence. *Corporate Communication*, 12(1), 75-93.
- [25] Mitnick, B. (1995). Systematics and CSR: The theory and process of normative referencing. *Business and Society*, 34(1), 5-34.
- [26] OECD Watch. (2011). *Human Rights and Environmental Violation by Shell in Nigeria*. Den Haag: Amnesty International and Friends of the Earth.
- [27] Okoro, O. (2014). *Corporate Social Responsibility Agenda for International Oil Companies (IOCs): New Perspectives from Stakeholders in the Niger Delta Region of Nigeria*. A thesis submitted to Auckland University of Technology.
- [28] Okoro, O. (2017). Inserting Extant Corporate Social Responsibility (CSR) Activities of International Oil Companies (IOCs) In The Niger Delta Region (NDR) In Carroll's Pyramid of CSR: A Case of Generalizability. *OIDA International Journal of Sustainable Development*, 10(3), 11 - 22.
- [29] Petrick, J. A. (2000). The Integrity Capacity Construct and Moral Progress in Business. *Journal of Business Ethics*, 23(1), 3-18.
- [30] Petrick, J. A., & Scherer, R. F. (2003). The Enron Scandal and the Neglect of Management Integrity Capacity. *American Journal of Business*, 18(1), 37-50.
- [31] Sharma, A., & Kiran, R. (2013). Corporate Social Responsibility: Driving Forces and Challenges. *International Journal of Business Research and Development*, 2(1), 18-27.
- [32] Steiner, R. (2010). *Double standard: Shell practices in Nigeria compared with international standards to prevent and control pipeline oil spills*. Amsterdam: Friends of the Earth.
- [33] The United Nations. (n.d.). *Extractive Industries and Conflict*. Retrieved February 2018, from The United Nations: http://www.un.org/en/events/environmentconflictday/pdf/GN_Extractive_Consultation.pdf
- [34] Toffler, B., & Reingold, J. (2003). *Final Accounting: Ambitions, greed, and the fall of Arthur Anderson*. New York: Broadway Books.
- [35] Transparency International. (2016). *Corruption Perception Index*. Transparency International.
- [36] Velasquez, M. G., & Rostankowski, C. (1985). *Ethics: Theory and Practice* (1st ed.). Santa Clara: Pearson.
- [37] Wagner, T., Lutz, R. J., & Weitz, B. A. (2009). Corporate Hypocrisy: Overcoming the Threat of Inconsistent Corporate Social Responsibility Perceptions. *Journal of Marketing*, 73, 77-91.
- [38] Watts, M. J. (2005). Human Rights Violation and the Oil Complex and Corporate Social Responsibility. *Annual Review of Environment and Resources*, 30, 373-407.
- [39] Watts, M., & Kashi, E. (2008). *Curse of the Black Gold: 50 Years of Oil in Nigeria*. Brooklyn: PowerHouse Books.