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STAKEHOLDER MANAGEMENT IN PRACTICE: EVIDENCE FROM THE NIGERIAN OIL AND GAS INDUSTRY

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STAKEHOLDER MANAGEMENT IN PRACTICE:
EVIDENCE FROM THE NIGERIAN OIL AND GAS INDUSTRY

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ABSTRACT

Stakeholder management relates to how business organisations manage their relationships not only with their market stakeholders, but also with their nonmarket stakeholders. It requires firms and business managers to identify and develop effective strategies to balance the interests of many diverse groups or constituents. This requirement has of course been judged to be impractical by those who uphold narrow traditional views about how a firm operates; and is unsupported by those who believe that asking managers to focus on the interests or concerns of groups of constituents that do not directly contribute to the economic achievements or strategic objectives of a firm, is a distraction and an attempt to derail corporate objectives. However, in spite of the criticisms levelled against the notion of stakeholder management, firms can no longer ignore the fact that there are constituents who can affect, and are affected by their business objectives.

The aim of this research is to illustrate the practical implications of stakeholder management by exploring how multinational oil corporations operating in the Nigerian oil and gas industry manage their relationships with nonmarket stakeholders; such as the local communities who are affected by their operations. In order to achieve the aims of this research, a case study approach has been adopted; the case study companies include Shell Petroleum Development Company (Shell), Total Exploration and Production (Total), and the Nigerian Agip Oil Company (AGIP). Furthermore, to achieve a balanced perspective regarding the stakeholder management practices of the oil companies, the research incorporates the views of stakeholders from local communities, and those from non-governmental organisations (NGOs). A mixed methods research strategy is employed in the data collection and analysis process to achieve not just triangulation, but also to assist in the comprehension of the research findings.

The research established that each of the companies being studied has employed different stakeholder management strategies in order to manage their relationships with the local communities. The strategies employed by the companies, however, appear not to address the issue of environmental impact; the concern which triggered the breakdown in the relationship between the oil companies and the local stakeholders in the first place. They have instead mostly focused on ameliorating the socio-economic issues resulting from oil exploration and production activities, in part as a consequence of pressure from the local communities themselves. Additionally, the findings indicate that the companies have employed hostile and controlling engagement strategies such as intimidation, appeasement, and manipulation, when dealing with local community stakeholders. These strategies are believed to have undermined the quality of their relationship with the local communities. The most notable consequence of these engagement practices is damaged trust amongst community members, as well as between the communities and the oil companies. The findings of this research have strong implications for stakeholder theory, as well

as future research into stakeholder management practices, particularly in relation to non-contractual or nonmarket stakeholders; they also shed light on several important practical issues in business management.

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List of Abbreviations

CA	-	Community Assistance
CD	-	Community Development
CEO	-	Chief Executive Officer
CFP	-	Corporate Financial Performance
CSP	-	Corporate Social Performance
CSR	-	Corporate Social Responsibility
DPR	-	Department of Petroleum Resources
GMoU	-	Global Memorandum of Understanding
IMF	-	International Monetary Fund
MOSOP	-	Movement for the Survival of the Ogoni People
MoU	-	Memorandum of Understanding
NAOC	-	Nigerian Agip Oil Company
NAPIMS	-	National Petroleum Investment Management Services
NDDC	-	Niger Delta Development Commission
NGO	-	Non-governmental Organisation
NNPC	-	Nigerian National Petroleum Company
PAC	-	Project Advisory Committee
SCD	-	Sustainable Community Development
SPDC	-	Shell Petroleum Development Company
TEPNG	-	Total Exploration and Production Nigeria
UNEP	-	United Nation Environment Programme
UNDP	-	United Nation Development Programme
WTO	-	World Trade Organisation

Dedication

To the beautiful memory of my father and mother:
Yeipeigha and Windo Waritimi

Acknowledgment

CHAPTER ONE

1. INTRODUCTION

The question of the role and responsibility of business in society is one that continues to echo in the lecture halls of business schools, and the boardrooms of business executives. Although academics and business executives may differ on some aspects pertaining to the role and responsibility of business in society, the interdependent relationship between business and society is one that both parties might usefully agree on. According to Frederick (2006, p.23) "business and society enjoy a symbiotic relationship...a fundamental change in one brings movement in the other". In a situation of symbiotic interdependence, it is possible for both parties to be better off, or worse off simultaneously as a result of the character of their relationship (Pfeffer and Salacik, 2003). Thus business and society, in this case corporations and stakeholders, have a responsibility towards each other to seek mutually beneficial outcomes. The activities of business organisations have had both a positive and negative impact on society; impacts which are then either rewarded or punished by society. When society is impacted positively by the activities of business, it shows its appreciation through patronage, which in turn reflects positively on a firm's bottom-line. Conversely, if a society is impacted negatively by the policies, actions, or activities of a firm, a rod of punishment might be applied which might reflect negatively on a firm's bottom-line. Shell Brent Spar case of 1995 is a typical example of how society can punish a firm for actions or behaviours perceived to be harmful. Greenpeace's campaign against Shell's deep sea disposal option drew massive public support to the point that Shell's products were boycotted in Britain and in some parts of Europe. Even though it was later found that the company's proposed plan was not as environmentally damaging as Greenpeace portrayed, public reaction resulted in huge financial losses for Shell (Kirby, 1998).

It is in view of this symbiosis that the notion of a stakeholder approach to strategic management emerged. The stakeholder approach was proposed to draw the attention of business organisations to the importance of taking into consideration in their decision-making, strategy development and implementation, those groups and individuals who can affect, or are affected by the achievement of their objectives (Freeman, 1984). A brief discussion of the stakeholder approach is presented in the next section

1.2. The Stakeholder Approach: A Paradigm Shift in Business Management

With the emergence of new groups, events and issues, which could not be readily understood within existing inward looking management frameworks or theories, it became necessary to develop new frameworks to explain the changes in the external business environment, which were impacting on the internal environment. In view of this new reality, it has been argued that the

major strategic shifts observed in the business environment also required corresponding conceptual shifts in the minds of managers (Emshoff, 1978, McCaskey, 1982). Building on the works of Emshoff (1978) and McCaskey (1982), Freeman (1984) proposed stakeholder theory as a strategic management approach to enable firms and their managers to understand and manage the changes affecting not only their internal or market environment, but also their external business environment, so as to survive in turbulent times by becoming more responsive to the many constituencies that would play a role in a firm's success. From Freeman's perspective, any individual or group whose actions or behaviour can affect or be affected by the achievement of an organisation's strategic objectives should not be ignored, but that their stakes, whether real or perceived should be identified and taken into consideration in decision-making processes. The stakeholder's view of the firm thus recognises the symbiotic relationship that exists between business and society (Frederick, 2006); emphasising the need for firms to manage their relationships with not only their economic stakeholders, but also their non-economic stakeholders, in order to survive and succeed (Freeman, 1984). The stakeholder approach creates a management platform that encompasses the interests and needs of market and nonmarket stakeholders.

Many scholars, particularly proponents of the shareholder view of the firm, have, however, questioned and even criticized the practicality of the stakeholder approach to strategic management as proposed by Freeman (1984), arguing that broadening the stakeholder map of a firm to incorporate nonmarket stakeholders, could undermine corporate objectives (Friedman, 1970, Jensen, 2002, Morgan and Hunt, 1994, Sternberg, 2000, Stieb, 2008). Jensen (2002) for example, has argued that whereas the shareholder theory (value maximisation) provides corporate managers with a single objective, the stakeholder theory directs corporate managers to serve 'many masters'. He further argues that without the clarity of mission provided by a single-value objective function, companies embracing stakeholder theory will potentially experience managerial confusion, conflict, inefficiency and possibly even competitive failure. Proponents of the shareholder theory thus assert that the only legitimate core purpose of a business is to maximise the value of the company for its shareholders' (Friedman, 1970, Jensen, 2002, Morgan and Hunt, 1994, Sternberg, 2000, Stieb, 2008). The stakeholder approach on the other hand views shareholders as one among many stakeholder groups, and argues for stakeholder value creation as against the singular objective of shareholder value maximisation (Freeman et al., 2007, Post et al., 2002). Thus, two pertinent issues surrounding the stakeholder and shareholder views of the firm are, who and what counts when measuring the achievement of corporate objectives (Freeman, 1984). While the stakeholder view of the firm contends that only those who can affect or be affected by the achievement of an organisation's objectives should exert influence, and that corporate objectives should be driven by stakeholder value creation. The shareholder view of the firm on the other hand, argues that it is those who invest (financially) in an organisation that

should hold the most sway, and maximising shareholders or investors' value should be the driver informing corporate objectives. In furtherance of the stakeholder idea, three streams of research have emerged; those that focus on the instrumental potential of the theory, those that justify stakeholder theory on normative grounds, and those that seek to identify what firms actually do to manage their relationships with stakeholders. The next section briefly discusses the gaps in the stakeholder theory discourse, and presents the research question that motivates this current study.

1.2.1. Research gap and question

In an attempt to justify a stakeholder approach to strategic management, many scholars have attempted to make a business case for the approach (Aupperle et al., 1985, Barton et al., 1989, Berman et al., 1999, Cochran and Wood, 1984, Cornell and Shapiro, 1987, Harrison and Fiet, 1999, Kotter and Heskett, 1992, Odgen and Watson, 1999, Orlitzky et al., 2003, O'Toole, 1991, Preston and Sapienza, 1990, Preston et al., 1991) while others have leaned towards normative justifications (Berman et al., 1999, Boatright, 1994, Bowie, 1999, Clarkson, 1995, Donaldson and Preston, 1995, Evan and Freeman, 1993, Freeman and McVea, 2005, Jones and Wicks, 1999, Kochan, 2000). Those who focus on the business case have sought to make a connection between corporate (financial) performance and a stakeholder approach to strategic management, while normative arguments have focused on providing ethical guidelines for the purpose of business practices. The main thrust of any normative justification is stakeholder value creation, and that a stakeholder should be treated as an end (Boatright, 1994, Clarkson, 1995, Evan and Freeman, 1993) and not as a means to the ends of other preferred stakeholders (Donaldson and Preston, 1995) as implied by the instrumental view of the theory. While the instrumental benefits of adopting a stakeholder approach remain mostly inconclusive, the practicality of a stakeholder approach to strategic management supported purely by normative principles has been questioned. With those inclined towards instrumental justification focused on making a business case for a stakeholder approach, and those focused on providing ethical guidelines within business practices, there appears to be limited research regarding how firms attempting to adopt a stakeholder approach can actually balance the interests of and manage their relationships with diverse stakeholders, particularly nonmarket stakeholders. This raises the question of whether organizations are more inclined towards an instrumental or a normative approach to stakeholder management. These questions bring us to discuss the descriptive use of stakeholder theory.

The descriptive use of the stakeholder theory, unlike the instrumental and normative use, seeks to describe or explain what firms and managers actually do in terms of managing their relationships with their stakeholders (Donaldson and Preston, 1995). The descriptive use of stakeholder theory plays an important role in moving the discourse relevant to the stakeholder debate from the realm of the theoretical to an account of its practical implications for firms, managers and stakeholders.

A number of scholars have sought to advance the descriptive use of the stakeholder theory by developing theoretical frameworks to facilitate stakeholder identification (Mitchell et al., 1997), while others have empirically tested these frameworks (Agle et al., 1999, Harvey and Schaefer, 2001, Magness, 2008). Some have sought to identify the strategies stakeholders use to try to influence firms' behaviour (Frooman, 1999, Garrett, 1987, Hill and Jones, 1992, Smith and Cooper-Martin, 1997) while others have studied the response strategies pursued by firms (Freeman, 1984; Harvey and Schaefer, 2001; Jawahar and McLauglin, 2001; Rowley, 2000; Savage et al., 1991). A few scholars have also focused on how firms engage with stakeholders (Chinyio and Akintoye, 2008, Friedman and Miles, 2006a, Noland and Phillips, 2010, Smudde and Courtright, 2011). These descriptive studies have all captured very vital, but different components of stakeholder management. However, the full implications of stakeholder management cannot be understood by simply studying its different components. The fragmented nature of these descriptive studies points to the need for an account of stakeholder management practices that incorporate all these different parts.

This research seeks to advance the descriptive use of the theory by integrating the different strands of the descriptive studies identified in the literature, so as to provide a more robust and holistic narrative detailing and evaluating the concerns and influences affecting stakeholder management. It aims to do so by empirically investigating how the multinational oil companies operating in the Nigerian oil industry have managed their relationships with the local communities that are affected by their operations. In the stakeholder literature, 'communities' have been categorised as nonmarket but legitimate stakeholders (Dunham et al., 2006, Lawrence and Weber, 2011). According to Lawrence (2010); whilst firms might not have problems managing their relationships with market stakeholders because of the contractual nature of the relationship, which is supported by institutional norms and values, managing their relationships with nonmarket stakeholders is in all probability more challenging because these relationships are not based on explicit contracts, institutional norms or shared values (Lawrence, 2010). Furthermore, Dunham et al. (2006) have noted that although 'community' represents a legitimate and high priority stakeholder group, little theoretical or practical guidance has been offered as to the posture corporations should ideally take towards the community. They concluded that:

> "Community represents an increasingly important set of constituencies for both the theorists and the practitioner, and one to which we must apply greater rigor in our analysis… One way to accomplish this task is to take seriously the notion that we need more finely grained narratives about actual companies and actual communities… only by taking this next step and constructing real stories of companies and communities can we more fully explore the potential contribution of stakeholder theory to improving business practice, in both a moral and a bottom line sense" (2006: 40-41).

The absence of such a narrative is obviously a major gap in the stakeholder literature. This research seeks to fill this gap in the body of knowledge, by investigating how corporations manage their relationships with local communities; specifically highlighting the context associated with the case studies introduced.

In view of these gaps in knowledge, the following research question is posed to guide the direction of this study:

> How do multinational oil companies operating in the Nigerian oil and gas industry manage their relationships with local communities that are affected (negatively) by their operations, and in what ways do the strategies employed by the companies affect these relationships?

1.2.2. Research Aim and Objectives

The research aims to determine how multinational oil companies operating in the Nigeria's oil and gas industry manage their relationships with the local community stakeholders that are affected by their operations. In order to facilitate the achievement of this overarching aim, the research will seek:

1. To find out if the case companies differ in relation to stakeholder engagement, stakeholder expectations, stakeholder issues, stakeholder/company perception, company-stakeholder relationship, stakeholder management policies and practices and stakeholder salience.

2. To investigate the nature of the relationship between the following stakeholder management components: stakeholder engagement and stakeholder expectations, stakeholder engagement and stakeholder issues, stakeholder engagement and stakeholder/company perception, stakeholder engagement and company-stakeholder relationship, stakeholder engagement and stakeholder management policies and practices, stakeholder expectations and stakeholder issues, stakeholder expectations and stakeholder/company perception, stakeholder/company perception and company-stakeholder relationship, stakeholder/company perception and stakeholder salience.

3. To identify and describe the impact of the operations of the oil companies on local communities.

4. To identify and describe specific actions community stakeholders take in order to influence stakeholder management policies and the practices of companies, and the effectiveness of their actions.

5. To identify and describe the strategies the case companies employ in order to manage their relationship with community stakeholders and explain why they use these strategies

6. To identify and analyse the companies' stakeholder engagement strategies, and the implications of these strategies on the relationship between the companies themselves and the community stakeholders.

1.2.3. Research Approach

In order to answer the research question, and achieve the aims and objectives, a mixed methods research strategy involving a combination of quantitative and qualitative methods, was adopted (Creswell, 2009). This strategy derives from the pragmatic philosophical stance of the researcher. Pragmatists approach a research problem from the point of view of the research questions and objectives, and not based on fixed epistemological positions (Tashakkori and Teddlie, 2003). This means that what is important is identifying and selecting suitable research methods that can be considered as the most appropriate to answer the research question and to achieve the aims and objectives. With the mixed methods research strategy, therefore, a variety of data sources and data collection strategies were brought to bear on the research question, including the related aims and objectives. The quantitative data enabled the researcher to identify the relationships between specific variables, as well as the differences between the case companies, so as to determine the extent to which the findings of the study can be generalized. The qualitative data and the case study approach allowed for a rich description of the stakeholder management practices undertaken by the case companies (Gray, 2004). Jones (1995) points out that because the field of business and society is young, and lacks an integrating framework, a case study approach was particularly critical. Additionally, by combining these two research methods, the researcher was able to not only triangulate the findings, but was also able acquire a better understanding of the phenomena of stakeholder management, as well as to develop new tools of measurement, which can be tested by future researchers.

1.3. Research Context and Statement of the Problem

This research was undertaken in the context of the Nigerian oil industry. Nigeria is the largest oil producer in Africa, and the sixth largest in the Organisation of Petroleum Exporting Countries (OPEC). The economy of the country is heavily dependent on revenues obtained from oil export. According to the IMF, in 2005 oil revenues accounted for 99 per cent of all Nigerian export revenues, 88 per cent of government income, and 50 per cent of Nigerian GDP, amounting to over $50 billion (IMF, 2006). This makes the oil industry the most important and largest contributor to the socio-economic development of the country (Apter, 2005). However, in spite of the strategic role of oil in the Nigerian economy and politics, the country has continued to struggle to evolve a coherent and constructive policy framework for the management of its oil resources; particularly concerning their negative externalities, the distribution of the accruing revenues, and the

management of the increasingly restive oil producing communities of the Niger Delta region (Omeje, 2006). Since the time oil was first discovered in 1956, the local communities in the areas from which oil and gas are being extracted, as well as those located in close proximity to oil operations have continued to suffer from the consequent environmental degradation and pollution (Frynas, 1998). The negative impacts of oil production activities on local communities have resulted in a strain on the relationship between the oil companies and the communities (Wheeler et al., 2002).

Over the last two decades, the multinational oil companies have suffered enormous losses (Thisday, 2009) because of recurrent conflicts with local communities. Conflict situations have resulted variously in the suspension of oil operations, the deferment of production and even cut backs in production (McAllester, 2006, Walker, 2008). The implications of these developments have been far reaching, reducing profits and prompting higher costs as a result of: the sabotage of oil facilities; the occasional payment of collateral damage associated with vandalism of equipment; even the payment of ransoms to secure the release of kidnapped staff (Omeje, 2006). The progressive breakdown in the relationship between the multinational oil companies and the local communities within which they are based is a problem not only for the Nigerian government, which relies on the revenue from oil, but also for the oil companies, and the local communities themselves.

1.3.1. Motivation for the Research

This research was thus motivated by the observation of the continuing breakdown in the relationship between the multinational oil companies operating in the Nigerian oil and gas industry, and the local communities that are affected by their operations. The notable breakdown phase, now characterising the relationships between oil companies and the local communities began in the early 1990s; the most reported of which is the Shell and Ogoni case (Boele et al., 2001). This research is interested in how the oil companies have attempted to manage their relationships with their stakeholder communities following the community relations crisis in the 1990s.

Furthermore, many of the studies into oil companies-community relations in the Nigerian oil and gas sector have been undertaken from the perspective of corporate social responsibility (CSR), and have thus focused on the perceived or actual responsibilities the oil companies have towards the communities, and the activities they undertake in respect of these responsibilities (Idemudia, 2007, Idemudia and Ite, 2006, Ite, 2004, Ite, 2006, Eweje, 2007, Frynas, 2005, Rwabizambuga, 2007). This research takes a different approach to the study of oil companies and communities' relations in the industry. It explores the relationship from the perspective of stakeholder management,

which is focused on how firms manage their relationships with stakeholders. This is different from a CSR based approach in that the target of the research is on the nature and character of this relationship for its own sake, and that of the involved parties; rather than being part of a broader reflection on oil companies' image making strategies.

1.4.   Thesis Structure

The research is structured around three projects. Project One presents a comprehensive review of the literature with the objective of identifying gaps in knowledge; this is presented in Chapter Two. Project Two is the main empirical work, and is reported in Chapter Five. Project Three is the dissemination and collection of feedback based on the findings from Project Two. The findings of Project Two were presented to those who participated in Project Two, and are then reported in Chapter Six.

This thesis has been structured into seven chapters: following the introductory chapter, chapter Two will explore the relevant literature that has been reviewed regarding the theoretical framework underpinning the study. Chapter Three will provide further background detailing the context of the research; in particular, highlighting the political and economic contexts in which the case study companies are embedded. Chapter Four explains the research methodology as employed in this research. Chapter Five provides an account of quantitative and qualitative analysis and discusses the results and findings. Chapter Six provides an account of the feedback received in relation to the findings reported in Chapter Five. Chapter Seven concludes the thesis with a discussion based on the research findings. This chapter will also outline the contributions the study makes to both theory and practice, and will also present the limitations of the study, and offer suggestions for further research.

<center>**CHAPTER TWO**</center>

<center>**REVIEW OF THE LITERATURE**</center>

2.   Introduction

Business managers today are expected to devise strategies to make their organisations competitive in the world economy, maximise shareholders value, and balance the multiple, competing interests of their various stakeholders (Bowie, 1999, Freeman, 1984, Jensen, 2002, Porter, 1980). Freeman (1984) proposed a stakeholder approach to strategic management as a useful framework for managing the demands of the internal and external business environment. Since Freeman (1984) drew attention to the need for firms to take a stakeholder centred approach to strategic management, a growing number of theoretical and empirical studies addressing this approach have been conducted. The literature review presented in this chapter examines the claims that have been made for the stakeholder approach to strategic management as proposed by Freeman (1984). The review begins with a discussion of the business environment, distinguishing between the market and non-market environments affecting the business organisation, and highlighting the symbiotic relationship the two environments share, and identifying the implications of this for businesses today. The following section then discusses the origin and nature of stakeholder theory, as well as the myriad definitions of what constitutes a 'stakeholder'. A distinction is made between market and nonmarket stakeholders, with particular focus on nonmarket stakeholders such as community and nongovernmental organisation. Next, the normative, instrumental, and descriptive uses of the stakeholder theory are discussed. This is followed by a brief summary of the chapter.

2.1.   The Market and Nonmarket Business Environment

The business environment consists of the market (economic) environment, which is characterised by the structure of the markets, in which a firm operates, and the non-market (or external) environment, which, is characterised by the legal, political, and social context in which the firm is embedded (Baron, 2003). The market and non-market environments are interrelated and shaped by the strategies of firms and other interested parties. Non-market strategies not only shape the non-market environment, they also affect the structure of the market environment and the position held by those firms operating in that environment. Similarly, the market strategies of firms generate issues that are usually addressed in the non-market environment (Baron, 2003).

Because the non-market environment is important for managerial and organisational performance, non-market issues fall within the responsibility of managers, who operate in both the market and non-market environments (Baron, 2003). Baron (2003) argues that managers are in the best position to assess the likely impact of their firm's market activities on its non-market environment,

and the developments in the non-market environment on market opportunities and performance. Figure 1 below depicts the role of managers with respect to the market and non-market environments.

Figure 1

The Environment of Business

Market Environment

Nonmarket Environment

Market environment determines
significance of nonmarket issues
to the firm

Market Strategy

Manager

Nonmarket
Strategy

Nonmarket environment
shapes business opportunities
in the marketplace
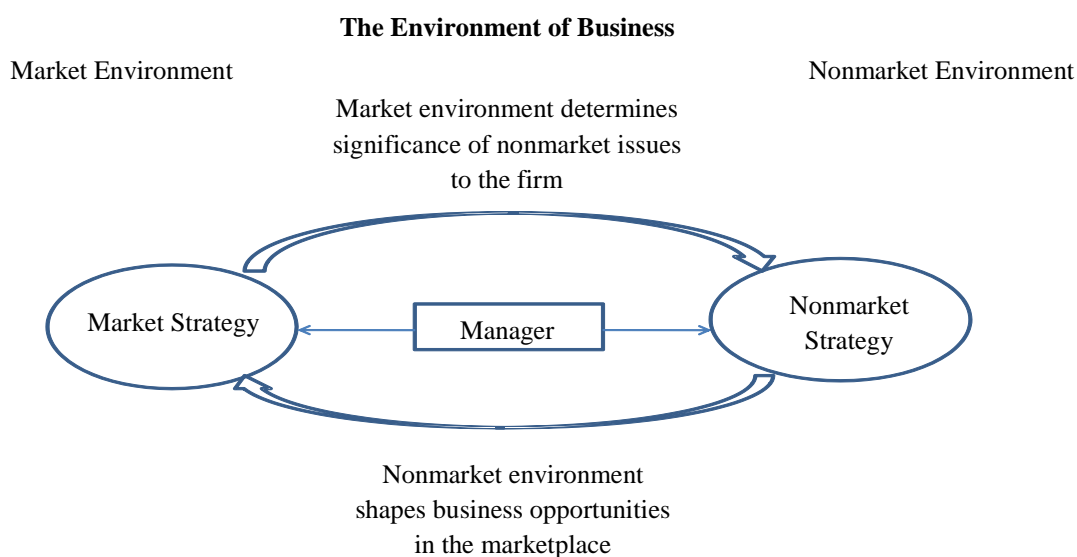
Source: Baron (2003)

While a market strategy involves a concerted pattern of actions taken in the market environment to create value by improving the economic performance of a firm; a non-market strategy is a concerted pattern of actions taken in the non-market environment to create value by improving overall performance (Baron, 2003). Effective business strategies are necessary to guide firms behaviour in their market and non-market environments and must include both market and non-market components. The long-run sustainability of competitive advantage requires effective management of both the market and the non-market environment (Baron, 2003). To succeed, firms must first operate effectively in their market environment. They must be efficient in their production methods and responsive to customer demand. They must anticipate and adapt to changes, innovate through research and development, and develop new products and services. Effective management in the market environment is a necessary condition of success, but it is not sufficient for success in isolation (Baron, 2003). The performance of a firm, and of its management, also depends on its activities in its non-market environment. The non-market environment includes the social, political, and legal arrangements that structure interactions outside of, but in conjunction with the market through private agreements (Baron, 2003).

Effective management in the non-market environment has become a necessary condition for success in the same way as it is in the market environment (Baron, 2003). The non-market

environment has grown in importance and complexity over time and commands increased managerial attention. Non-market issues that are high on firms' agendas include environmental protection, health and safety, technology policy, regulation and deregulation, human rights, international trade policy, legislative politics, regulation and antitrust, activists' pressures, media coverage of business, stakeholder relations, corporate social responsibility and ethics (Baron, 2003). Although the saliency of particular non-market issues ebbs and flows, however, they continually represent important consequences on managerial and firm performance. The managerial objective seeks to improve the overall performance of firms by effectively addressing issues and the forces associated with them (Baron, 2003). Firms typically deal with non-market issues proportionally, that is, in relation to their potential impact on performance (Baron 2003). Because the non-market environment is important for managerial and organisational performance, non-market issues fall within the responsibility of managers.

Non-market issues also shape the market environment; for example, the Exxon Valdez oil spill in the 1980s, the BP spill in the Gulf of Mexico in 2010 and most recently the United Nations Environment Programme (UNEP) report on long term environmental damages in Ogoni as a result of the oil exploration and production activities of Shell's subsidiary in Nigeria (the Shell Petroleum Development Company), have increased environmental pressure on firms by demanding for liability for damages, and more stringent regulation, as a response to direct public pressure. The effectiveness with which a firm and its managers address non-market issues depends on the approach they take to their non-market environment. Non-market issues become apparent when they are on the firm's agenda, and proactive managers attempt to identify potential issues and act to reduce their adverse effects, or to enhance their beneficial impact (Baron, 2003).

Effective management in the non-market environment requires conceptual frameworks for: (1) analysing non-market issues and the broader environment, (2) formulating effective strategies for addressing those issues, and (3) positioning the firm in its non-market environment (Baron, 2003). Freeman (1984) proposed the stakeholder approach to strategic management to enable firms to understand and manage issues and constituents that emanated from their nonmarket environment. This approach extends a firm's relationship beyond its market environment, to its nonmarket environment. The stakeholder approach encourages firms to extend and expand their relational scope to include the market and nonmarket environment so as to minimize or avoid strategic surprises (Freeman, 1984). And according to Mainardes et al. (2011), the stakeholder theory 'arrived in time to explain and predict how organisations should act by taking into consideration the influences of stakeholders hitherto left out of the range of analysis…" (p. 11).

With this brief introduction of the stakeholder approach, we now turn our discussion to the origin and nature of the stakeholder approach.

2.2.   Origin and Nature of the Stakeholder Theory

"New paradigms tend to emerge when conventional ways of thinking no longer provide satisfactory answers." (Frederick, 2006)

Stakeholder theory originated from four key academic fields: sociology, economics, politics, and ethics (Mainardes et al., 2011). In particular, it derived from the study of management practices (Slinger, 1999) while the use of the term grew out of the pioneering work at Stanford Research Institute (SRI) in the 1960s. The stakeholder idea, which emerged from the SRI, was presented in a report on planning circulated to a group of business subscribers in 1963 (Slinger, 1999). In the report the concept of stakeholder was described in terms of creative judgment, intuitive reasoning, and involvement of people in all of a business's relationship (Slinger, 1999). The SRI pointed out that managers needed to understand the interests and concerns of shareholders, employees, customers, suppliers, lenders and society, in order to develop objectives that they would support (Freeman and McVea, 2005). The SRI, thus defined stakeholders as "those groups without whose support the organisation would cease to exist' (cited in Freeman, 1984:13). With the view that the long-term success of organisation depended on the support of such groups, the SRI asserted that management should actively explore its relationship with all its stakeholders (Freeman and McVea, 2005).

Drawing on corporate planning, systems theory, corporate social responsibility and organisational theory literatures, Freeman (1984) crystallized the stakeholder concept into a framework for strategic management in the mid-1980s. According to Freeman (1984:5) "…current theories are inconsistent with both the quantity and kinds of change which are occurring in the business environment of the 1980s… A new conceptual framework is needed". The stakeholder approach thus grew out of the failure of traditional strategy frameworks to equip managers to deal with the rapid changes in their business environment, particularly the nonmarket environment (Freeman and McVea, 2005). Freeman (1984) argued that when current theories or frameworks no longer provide valid answers to the challenges posed by the non-market environment, it becomes necessary to abandon these theories and turn to new concepts that can unravel the prevailing complexities in both the market and non-market environment. Freeman (1984) thus expanded the notion of strategic management beyond its traditional economic roots, which gave shareholders a place of supremacy, by defining stakeholders as "any group or individual who can affect or is affected by the achievement of organisation's objectives" (Freeman, 1984:46). The term *affect* in Freeman's (1984) definition implies a potentially positive or negative effect a group or individual can have on an organisation's objectives, and vice versa. Freeman (1984) noted that most of the changes in the non-market environment were triggered by the emergence of new groups, events and issues, which, could not be effectively managed by applying traditional management

frameworks. Ansoff (2007), however, believes that some of the changes in the business environment of organisations were actually triggered by the negative effects of business activities on society. Society's attention was drawn to the negative side effects of the profit-seeking behavior of the *laissez-faire* conditions of 'free enterprise' which triggered issues like environmental pollution, fluctuations in economic activity, inflation, monopolistic practices, 'manipulation' of consumer through artificial obsolescence, blatant advertising, incomplete disclosure, and low quality after sale services (Ansoff, 2007). The result of these outcomes was a call for firms to be more socially responsible. Ansoff (2007) pointed out that following these emergent issues, the socio-political transactions between business organisations and their external business environment acquired what he described as "a life-or-death importance in the post-industrial society" (p. 37), which on the one hand offered opportunities for new commercial activities, and on the other hand, imposed new social expectations on firms, and threatening their survival.

The stakeholder approach to strategic management as proposed by Freeman (1984) calls on firms to identify groups and individuals who can affect the achievement of their objectives, and identify and understand how the achievement of the firm's objectives affect other constituents and develop strategies that take these into consideration in decision-making. The stakeholder approach thus provides firms with a framework that allows them to take a macro view of their stakeholder environment thereby reducing strategic surprises. It is proposed to enable firms identify not only issues in their nonmarket environment, but also the constituents in this environment whose actions and behaviors triggered changes in their market environment. The stakeholder approach thus facilitates firms' understanding of their actions and the reactions they trigger, as well as the actions of other constituents and their reactions to them (Freeman, 1984). It requires organisations to develop expertise in the understanding of how stakeholders groups emerge, the key issues of concern, and the extent they are willing to go to either enable or prevent the organisation from achieving its objectives as a result of these issues (Freeman, 1984). This approach recognises that firms are no longer self-sufficient, but dependent on other constituents in their nonmarket environment to survive and succeed (Pfeffer and Salancik, 1978).

The main characteristics of the stakeholder approach (Freeman and McVea, 2005) are summarised below:

- It is designed to provide a single strategic framework which is flexible enough to allow managers deal with environmental shifts.
- The approach is a strategic management process rather than a strategic planning process. Strategic planning focuses on trying to predict the future environment and independently developing plans for the firm to exploit its position. In contrast, strategic management

actively plots a new direction for the firm and considers how the firm affects the environment as well as how the environments may affect the firm.

- The central concern of the stakeholder approach is the survival of the firm, that is, the achievement of its objectives. A firm that cannot achieve its strategic objectives may not survive in the long-term. Thus in order to ensure not only survival but success, a firm must have the support of all stakeholders who can affect it and understand how it will or does affect others. How relationships with stakeholders are managed will determine how well a firm achieves its objective and remains viable.

- The stakeholder approach rejects the idea of maximizing a single objective function as a useful way of thinking about management strategy. Rather stakeholder management is an ongoing task of balancing and integrating multiple relationships and multiple objectives.

- It encourages firms to develop strategies by looking out from the firm and identifying, and investing in all the relationships that will ensure long-term success.

- It is about tangible 'names and faces' for stakeholders rather than merely analyzing particular stakeholder roles. What is important is developing an understanding of the real and tangible stakeholders who are specific to the firm, and the circumstances in which the firm finds itself.

- It calls for an integrated approach to strategic decision-making. Thus rather than setting strategy stakeholder by stakeholder, managers must find ways to satisfy multiple stakeholders simultaneously. Effective strategies integrate the perspectives of all stakeholders rather than offsetting one against the other.

2.3. Defining a Stakeholder

A key issue that is mentioned frequently in the literature is whether stakeholders are confined to those that are crucial for the achievement of corporate objectives, or if they are to be considered as an entity affected by corporate actions (Friedman and Miles, 2006). Similarly a significant area of interest for theorists has been the definition of what constitutes legitimate stakeholders. Following Freeman's (1984) seminal work on the stakeholder approach, the definition of the term 'stakeholder' has evolved seemingly independently. In the stakeholder literature, there are a few broad definitions that attempt to specify the empirical reality that virtually anyone can affect or be affected by an organisation's actions (Mitchell et al., 1997), there are also narrow conceptions based on practical business realities. Although Freeman's 1984 definition of a stakeholder as "any group or individual who can affect or is affected by the achievement of organisation's objectives" (p. 46), is widely cited in subsequent literature, it is viewed as offering an extremely broad field of possibilities as to who or what really is a stakeholder. The implication of this definition is that:

1. Not all (groups or individuals) who can affect a firm are affected by the achievement of the firm's objective.
2. Not all (groups or individuals) who are affected by the achievement of a firm's objective can affect a firm.
3. There are those (groups or individuals) who can affect, and are affected by the achievement of a firm's objective.

Firms may consider stakeholders who fall into the first and third category for instrumental reasons because they can affect the achievement of a firm's objectives, while those in the second category may be considered for normative reasons, that is, they are considered on the basis that it is the right thing to do. Although Freeman's (1984) original posture on the stakeholder approach had an instrumental bias, however, his later works (Evan and Freeman, 1988, Freeman and Evan, 1990, Wicks et al., 1994) were more inclined towards a normative justification for the stakeholder approach.

Clarkson (1991) described stakeholders as the constituents that are affected (favourable or adversely) by the operations of the corporation. Such constituents are said to have a 'stake' in the corporation, that is, something at risk, and therefore something to gain or lose, as a result of its corporate activities. Clarkson (1991) thus distinguished stakeholders as those that are linked to the corporation through explicit contracts (e.g. investors and employees), others have implicit contractual relationships (e.g. customers), and the remainder have neither explicit nor implicit contracts, and are so described as "non-contractual". According to Clarkson (1991) this third category may be unaware of their relationship to the corporation until some specific event, favourable or unfavourable, draws it to their attention; for example, economic benefits or environmental damage (Clarkson, 1991).

Another broad definition is Gray et al.'s (1996), which states that a stakeholder is "any group or individual that can be influenced by, or can itself, influence the actions of the organisation" (p. 45). This definition is different from Freeman's (1984) in that it emphasises the *actions* of an organisation as the factor that can trigger an organisation-stakeholder relationship, whereas, Freeman's (1984) definition emphasizes the achievement of organisational objectives as the basis for an organisation-stakeholder relationship. Carroll and Buchholtz (2006) also provided a broad definition; they noted that just as stakeholders may be affected by the actions, decisions, policies, or practices of businesses, stakeholders might also affect the organisation's actions, decisions, policies, or practices. The common thread running through these broad definitions (Carroll and Buchholtz, 2006; Clarkson, 1995; Freeman, 1984; Gray et al., 1996) is the recognition of not just legitimate stakeholders, but stakeholders that are powerful enough to influence or affect the firm, and those who are influence or affected by the firm. Thus, they provide both instrumental and

normative justifications for taking specific groups or individuals into consideration in decision-making.

In contrast the narrow definitions of a stakeholder attempt to specify the pragmatic reality that managers cannot attend to all actual or potential claims. The more narrow views of what constitutes a stakeholder are predicated on the practical reality of limited resources, limited time and attention, and the limited patience of managers for dealing with external constraints (Mitchell et al., 1997, Jawahar and McLaughlin, 2001, Jones, 1980). In general, the narrower views of stakeholders attempt to define the most important groups in terms of their relevance to the firm's core economic interests (Blair, 1995; Bowie, 1988; Hill and Jones, 1992; Mitchell et al., 1997). An example is Orts and Strudler's (2002) definition, which states that a business firm's stakeholders are "participants in a business who have some kind of economic stake directly at risk" (p. 218).

From the business point of view, there are certain individuals and groups that have legitimacy in the eyes of management. That is, they have a legitimate, direct interest in, or claim on, the operations of the firm. The most obvious of these groups are stockholders, employees and customers. From the point of view of stakeholder theory, however, stakeholders include not only these groups, but other groups as well (Freeman, 1984). Thus, while the broad definition of a stakeholder encompasses individuals and groups in both the market and nonmarket or external business environment, the narrower definition focuses mostly on individuals and groups in a firm's market environment.

Freeman's (1984) definition of a stakeholder as "any group or individual who can affect or is affected by the achievement of organisation's objectives" is adopted in this study. This research seeks to find out how multinational oil companies operating in the Nigerian oil industry manage their relationships with stakeholders in the communities where they operate, and who are affected by the achievement of their objectives, and who have in turn taken actions that have affected the achievement of the objectives of the companies. In view of this objective, Freeman's (1984) definition was considered most appropriate in guiding the conceptualisation of oil companies - local community stakeholders' relationships. The discussion now turns to the analysis of stakeholders in a firm's market and nonmarket environment.

2.3.1. Market Stakeholders

The stakeholders in an organisation's market environment have been described as 'market stakeholders', as they are the ones that engage in economic transaction with the organisation in its bid to provide goods and services to society (Lawrence and Weber, 2011). Market stakeholders are also known as primary stakeholders (Clarkson, 1995). Figure 2 below shows the market stakeholders of a typical large business organisation.

Figure 2
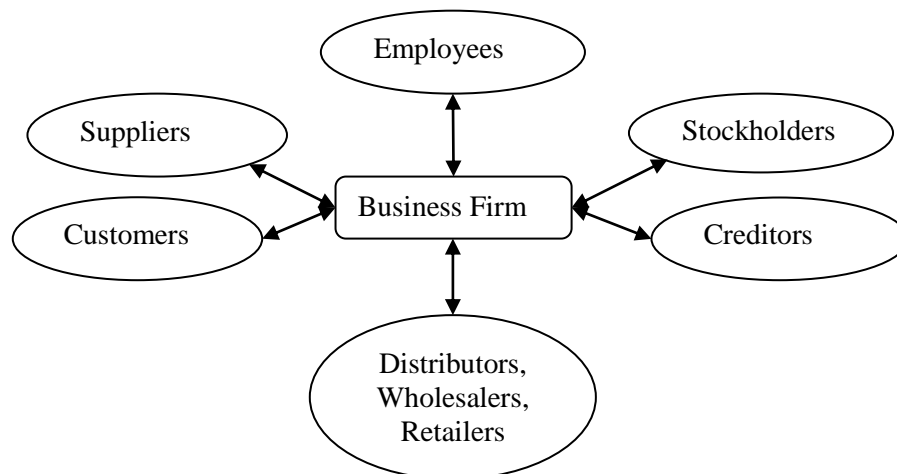
Source: Market Stakeholders (Lawrence and Weber, 2011: 8)

Each of these market stakeholders invest in the firm in one way or the other and receives one form of return or the other, for example, stockholders invest in the firm and in return receive capital gains and dividends, Creditors lend money and receive interests on the principal. Furthermore, employees contribute their skills, knowledge and expertise to the firm and receive wages, benefits and opportunities for personal development. Suppliers provide raw material and other services or inputs to the firm and receive payments in return. Distributors, wholesalers and retailers engage in market transaction with the firm as they move the firm's products to the final consumers, who are willing to buy a firm's product in order to satisfy their needs or wants (Lawrence and Weber, 2011).

However, as noted earlier, the market environment of business organisations has undergone tremendous changes in the last of couple of decades. The relationships between firms and their market stakeholders have altered. The good news is that most of these changes have followed well-understood patterns that the management of most firms are accustomed to handling on a daily basis (Freeman, 1984). Firms have developed and deployed time tested strategies for managing their relationships with market stakeholders, and are thus able to deal with these sets of stakeholders.

Furthermore, firms are also constrained by institutional and social rules and norms which govern their relationships with markets stakeholders such as shareholders, employees, suppliers, customers, and other financiers (Lawrence and Weber, 2011). Firms tend to have more control over their own fate when addressing challenges within their markets than they do when interacting with the non-market environment. Lawrence (2010) notes that understanding and managing changes in their non-market/external environment, and their relationships with nonmarket stakeholders is a bit more challenging for firms and their managers, particularly in the absence of

specific rules and norms. However, many successful firms understand that if they do not manage their non-market environment it will manage them (Baron, 2003).

2.3.2. Nonmarket Stakeholders

Nonmarket stakeholders are those individuals and groups, who do not necessarily engage in direct economic transactions with the firm, but are affected by or can affect its strategic objectives (Lawrence and Weber, 2011). They are also known as secondary stakeholders (Clarkson, 1995), and include community, various levels of government, nongovernmental organisations, the media, special interest groups, and the general public. Some authors have categorised government as primary stakeholders (Freeman, 1984) because there are instances where government engages in one transaction or the other with business, for example, some firms may enter into joint venture partnerships with a particular level of government. The community has often been identified as primary stakeholder as well (Freeman, 1984; Dunham et al., 2006). Figure 3 below shows the nonmarket stakeholders' relationship with the firm.

Figure 3
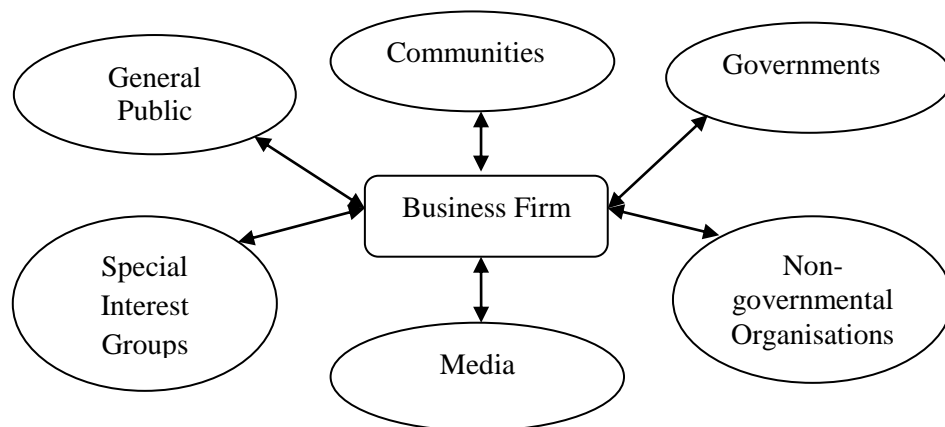
Source: Nonmarket Stakeholders (Lawrence and Weber, 2011: 10)

In this present study the author is particularly interested in nonmarket stakeholders such as communities and civil society organisations like nongovernmental organisations (NGOs) and their relationships with corporations. In the stakeholder literature, there seem to be scant research on how firms manage their relationships with nonmarket stakeholders in general and communities and NGOs in particular. This research is motivated by this perceived gap in knowledge and seeks to fill it. The following sections reviews and discusses these two nonmarket stakeholders, highlighting their unique role as stakeholders.

2.3.2.1. Communities

Most scholars have generally defined community in relation to three factors: *geography*, *interaction,* and *identity* (Hillery, 1955, Lee and Newby, 1983). Communities mainly characterised by *geography* refer to groups of people residing within the same geographic region

that may or may not have any interaction between them. A community characterized by geographic location is also known as community of place (Dunham et al., 2006). Communities identified primarily by regular *interaction* represent a set of social relationships, which may or not be place based. Communities characterized primarily by *identity* represent a group who share a sense of belonging, based on a set of shared beliefs, values, or experiences. Also individuals who make up communities characterized by identity may or may not live within the same physical location (Dunham et. al., 2006).

Based on these three factors, Dunham et al., (2006) identified four sub-categories of community that are relevant to stakeholder theory: communities of place, communities of interests, virtual advocacy groups, and communities of practice. Communities of place are the most recognized in the stakeholder literature, that is, this conceptualization of a community is what most stakeholder theorists make reference (Dunham et al., 2006). Thus from the point of view of the stakeholder theory, firms within or around a community must take into account the effects of their operations on those who live in close proximity to their operations (Dunham et al., 2006). Dunham et al., (2006) noted that although 'community' represents a legitimate and high priority stakeholder group, little theoretical or practical guidance has been offered as to the posture corporations should take towards any community. However, Altman (1998) has observed that in recent years, corporations have increasingly been active within the communities where they are located. In an attempt to establish and maintain good relations with communities, many corporations have established corporate community relations departments charged with the responsibility of building relationships with communities and giving the corporation a human face (Altman, 1998). The increasing attention corporations are giving to communities in which they are located, suggests that they are acknowledging the significance of such constituencies, and taking necessary steps to understanding them and their issues. In spite of this, Dunham et al., (2006) notes that a breakdown in relationships between corporations and communities can be challenging as the "task of evaluating moral claims and developing appropriate responses to community stakeholder groups can be complex and confusing" (p.30). In view of the difficulty inherent in managing relationships with community as a stakeholder, Dunham et al., (2006) proposed the theoretical framework in the Table 1 below to help business practitioners define and determine appropriate stakeholder management approaches for the four categories of community they identified.

Table 1

Stakeholder management strategy	Collaboration	Cooperation	Containment
Type of Community	Communities of practice	Communities of place, Communities of interest	Virtual advocacy groups
Objective	Support stakeholder development	Negotiate win-win solutions	Minimize potential damages by stakeholders
Nature of Interaction	Open, trust-based	Cordial, reciprocal	Adversarial
Frequency of Interaction	High	Mixed	Low
Duration of interaction	Ongoing, long-term	Intermittent	Short-term
Process focus	Building/supporting shared identity	Developing mutual understanding and constructive solutions	Identifying and monitoring
Key actions	Building shared vision Information sharing Training/professional development	Selective information sharing Ongoing dialogue	Information collection Pre-emptive public relations

Source: Adapted from Dunham et al. (2006)

Dunham et al., (2006) pointed out that the specifics associated with each of these categories of community in terms of how they affect or affected by the corporation, and how their claims are evaluated, and the selection of appropriate strategies for managing the interaction, remains under explored. We now look at the second set of nonmarket stakeholders, nongovernmental organisations (NGOs).

2.3.2.2. Non-governmental Organisations

In the past, social and political theorist perceived the world as comprising of two sectors, the market or economic sector (business) and the state sector (government) (Crane and Matten, 2010). Based on this perception, it was assumed that issues such as social welfare and environmental protection will be taken care of by business and government respectively, and possibly corporate philanthropy. However, with the failure of government and business to effectively address social and environmental issues, in recent times, attention has focused on other types of organisations such as pressure groups, charities, non-governmental organisations (NGOs), local community groups and religious organisations (Crane and Matten, 2010). This shift in attention to groups in society that are neither government nor business brought forth a third institutional actor in society commonly referred to as civil society. The civil society sector is regarded as the balancing force that protects the generality of the society against the excesses of government and business (Reece, 2001).

Civil society organisations such as the NGOs focus on a number of issues, some on human rights, and others on environmental protection, there are those who focus on influencing government and business policies, and then there are those who focus on social service delivery. This discussion is particularly interested in NGOs that focus on influencing institutional policies and social service delivery. NGOs that focus on influencing policies changes amongst key decision makers in government, donors and business, other powerful establishments, and the general public, do so by engaging in activities such as lobbying, campaigning, research and analysis, and information dissemination. An example of the influencing power of this category of civil society groups is the case of Greenpeace, an environmental NGO, and Shell, on the sinking of the Brent Spar in 1995. In the 1990s and early 2000s, the world witnessed massive campaigns by civil society organizations against oil giants such as Shell, ExxonMobil, ChevronTexaco, ENI, Occidental, and other corporations such as Coca-Cola, Monsanto, McDonalds, Rio Tinto, The Gap, Toyota, and Nike (Tuodolo, 2009). Institutions of economic globalization such as the International Monetary Fund (IMF), World Trade Organization (WTO), and the World Bank were not spared. Civil society actors launched a wave of campaign against large establishment that rippled through Seattle in 1999, Davos in 2000, Prague in 2000, Quebec in 2001, Switzerland in 2003, Washington, Philadelphia, Los Angeles, and to Gleneagles in 2005 (Tuodolo, 2009). The intensity of these campaigns, which often disrupted business activities, embarrassed and damaged business reputations, and shook the corporate world. Some of the civil society organizations behind these campaigns include Greenpeace, Sierra Club, Friends of the Earth; Amnesty International, ChristianAid, Global Witness, Human Rights Watch, Oil Watch, and CorpWatch (Tuodolo, 2009).

NGOs, which focus on social service delivery, are more interested in delivering quality non-profit services and improving these services rather than influencing institutions, government or business. This category of NGOs has proved very resourceful in terms of delivering socio-economic development to local communities (Langran, 2002). For example, in many underdeveloped or developing countries where governments are characterized by lack of popular representation, or acceptance, and failure to deliver adequate socio-economic services and infrastructures, private and international donor agencies, and corporations have often turned to local NGOs to facilitate and promote socio-economic development for civil society (Nikkhah and Bin Redzuan, 2010).

Most local NGOs have a thorough understanding of their local communities, they are cognizant of the constraints and issues confronting local communities, and are able to prioritize community problems within their context for more effective management (Langran, 2002). Their comprehensive understanding of the social, political, and economic circumstances of local communities, means that local NGOs are in the best position to identify better approaches to resolving problems at the community level (Nikkhah and Bin Redzuan, 2010). Local NGOs are known for mobilizing and advocating for grass root participation and involvement in socio-

economic development programs, a strategy, which facilitates community ownership of projects, and enables sustainable development. It is therefore, not surprising that corporations in recent times have sought to collaborate and partner with NGOs to achieve sustainable development (Nikkhah and Bin Redzuan, 2010).

However, large multinational corporations are viewed by some civil society organisations as 'enemies" (Yazji, 2006), or "strange bedfellow," (Prickett, 2003) and as such find it difficult to associate with them on ethical grounds. Nevertheless, having recognized the important and influential role of civil society organisations, many large corporations have sought to collaborate and even partner with civil society organisations to deliver on the growing and changing civil society expectations (Warren, 2005). This development has changed the relationship between civil society groups and corporations from an adversarial one to a more relational one (Crane and Matten, 2010). The last few years has witnessed the development of more collaborative relationships and direct funding of civil society programs by corporate entities (Bendell and Lake, 2000).

This new relationship between civil society organisations and corporation has been criticized as another public relations strategy of corporations seeking to either revamp their image or build one (Tuodolo, 2009). Crane (1998) noted that there was bound to be difficulties in managing relations between what he described as "such culturally diverse organisations," and difficulties of ensuring consistency and commitment (Elkington and Fennell, 2000). However, the unique position of the civil society sector makes it an important stakeholder to businesses, particularly those groups who advocate for human rights and environmental protection. Even though civil society organisations may not necessarily contribute to the economic mission of business organisations like employee, customers or even shareholders for that matter, their actions can affect or influence the behaviour of those who do, and business organisations as well (Crane and Matten, 2010).

From the point of view of Mitchell et al.'s (1997) stakeholder identification theory, which is discussed in detail in later sections, communities and NGOs can be considered discretionary and dormant stakeholders respectively, with communities having legitimacy and NGOs, particularly those that seek to influence policies or who can affect firms, possessing power or influence. These discretionary and dormant stakeholders are classified as *latent stakeholders* in Mitchell et al.'s (1997) model. And according to Mitchell et al., (1997) managers may ignore them and not even consider them as stakeholders. However, if these two sets of stakeholder decide to work together against a firm, or acquire a missing attribute, they will draw the attention of managers, because of their combined attributes, which then puts them in the *expectant stakeholder* category. Stakeholders in this category expect and receive manager's attention. Accordingly, the level of engagement between managers and expectant stakeholder is likely to be higher (Mitchell et al.,

1997). The findings of this study, which are discussed in later chapters, will shed further light on the nature of the relationship between the case study companies and these nonmarket stakeholders, and how the companies relate with them.

Having identified the two sets of nonmarket stakeholders of interest in relation to this study, we now turn our discussion to the ways in which the stakeholder theory is being used.

2.4.   Perspectives on the Stakeholder Approach

Donaldson and Preston (1995) identified three ways in which the stakeholder theory is viewed: normative/prescriptive, instrumental, and descriptive/empirical. Each of these perspectives are discussed in the following sections, with more focus on the descriptive focus as the present study is particularly interested in shedding further light on how firms employ the stakeholder approach, whether they use it to achieve purely strategic/instrumental ends, and whether the instrumental agendas or uses are driven by normative values or not. The author views the normative and instrumental uses of the stakeholder approach as the main thrust of the stakeholder theory, and argues that the descriptive use of the stakeholder theory holds the key to the advancement of the theory and practice of stakeholder management because it empirically reveals not only the practical implications of employing or adopting a stakeholder approach, it allows us to know whether instrumental or normative objectives drive stakeholder management processes. The question of the practicality or effectiveness of the instrumental or normative use of the stakeholder approach is not just an academic one; it is a question that practitioners are confronted with in the real world. There is a perceived gap between stakeholder theory and stakeholder management practice. The descriptive use of the stakeholder theory provides a platform for bridging the gap between the theoretical analysis and the practical implications of the concept. The relevance of the stakeholder approach is dependent not only on its theoretical robustness, but on its practicality. In line with this thinking, Freeman (1984) states, "good management theories are practical, that is, they are relevant to practicing managers." Similarly, Friedman and Miles (2006) note that the development of a theory is dependent on its ability to influence management practices and policies and vice versa. With this brief introduction, the discussion now turns to the three main uses of the stakeholder approach.

2.4.1.   Normative/Prescriptive Perspective

Accordingly to Donaldson and Preston (1995) the normative view of stakeholder theory involves accepting that the interests of all stakeholders are of *intrinsic value* to the firm. That is, "each stakeholder group merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as shareholders" (Donaldson and Preston, 1995: 67). The stakeholder theory is used normatively to interpret the function of the corporation

including the identification of moral or philosophical guidelines for the operation and management of corporations (Donaldson and Preston, 1995). From the normative perspective, the correspondence between the theory and the observed facts of corporate life is not deemed a significant issue; nor is the association between stakeholder management and conventional performance, which measures a critical test. Instead, normative stakeholder theory attempts to interpret the function of, and offer guidance about, the investor-owned corporation on the basis of some underlying moral or philosophical principles (Donaldson and Preston, 1995). Donaldson and Preston (1995) justified the stakeholder theory as an alternative theory of the firm on the basis of its normative core, which in Moore's (1999) view implies a normative or ethical theory of the firm. The implication of the normative stakeholder theory of the firm is that other theories of the firm fall short in terms of ethical standards (Moore, 1999).

Evan and Freeman (1988) on their part asserted that the stakeholder theory of the firm must be conceptualised "along essentially Kantian lines." This means each stakeholder group has a right to be treated as an end in itself, and not as a means to some other end, "and therefore must participate in determining the future direction of the firm in which (it has) a stake." In the same vein, using Kantian principles, Bowie (1999) proposed that (1) the interests of all stakeholders should be considered on any decision a firm makes, (2) those affected by the firm should participate in determining those rules and policies before they are implemented, (3) one stakeholder interest should not automatically take priority for all decisions, and (4) all firms must establish procedures designed to ensure relations among stakeholders are governed by rules of justice. The normative stakeholder approach emphasises the importance of investing in the relationships with those who have a stake in the firm. Accordingly, the stability of these relationships is dependent on shared values or principles (Freeman and McVea, 2005). Furthermore, Freeman and McVea (2005) have suggested that the normative stakeholder approach allows managers to incorporate personal values into the formulation and implementation of strategic plans. Frederick (2006), however, observes that the confrontation between corporations and various social constituents pertained to the clash of values. That is, problems between corporations and stakeholders arise when the pursuit of corporate objectives impinge on stakeholders' values. The challenge for the stakeholder view of the firms is bridging the gap between corporate and stakeholder values (Frederick, 2006).

The typical mode of inquiry of the normative view of the theory involves specifying *what* moral obligations stakeholder theory places on managers, particularly the relative importance to shareholders and those to other stakeholders (Boatright, 1994, Clarkson, 1995, Goodpaster, 1991, Quinn and Jones, 1995). Thus, rather than collecting data and using scientific methods to test hypotheses, scholars with greater inclination towards a normative approach to stakeholder theory focus on normative issues (Jones and Wicks, 1999). However, recently Kochan (2000) attempted to further develop the normative approach to stakeholder theory based on an extensive study of the

Saturn automotive manufacturer. In this study he attempted to answer the question "Why should the stakeholder model be given serious consideration at this moment in history?" According to Kochan (2000) stakeholder firms will emerge when stakeholders control critical assets, expose these assets to risk, and have both influence and a voice. The power and influence of stakeholders will thus be the driving force behind the adoption of a stakeholder approach.

The common theme amongst scholars who focus on the normative strand is that corporations should treat stakeholders as 'ends' (e.g. Boatright, 1994; Clarkson, 1995; Evan and Freeman, 1993 and Goodpaster, 1991) and not a means to the ends of preferred stakeholders, such as shareholders (Donalsdon and Preston, 1995). Thus, scholars who hold the normative view make prescriptions about how stakeholders should be treated on the basis of some underlying moral or philosophical principles. The normative perspective therefore implies that moral principles should drive stakeholder relations (Berman et al., 1999), and attempts to give a soul to soulless corporations, so that they can view those constituents that are affected by their policies and practices as people with names and faces, with dreams and aspirations, and behave in ways that do not prevent these constituents from achieving their own goals (Freeman and Evan, 2005). It seeks to provide guidance for business actions and practices by pointing to the right thing to do (Friedman and Miles, 2006).

2.4.2. Instrumental Perspective

The instrumental view of the theory seeks to make connections between stakeholder approaches and the achievement of traditional corporate objectives of profitability, stability and growth (Donaldson and Preston, 1995). The underlying assumption is that the ultimate objective of corporate pursuits is marketplace success; and the adoption of the stakeholder approach can also enable a firm achieve that end (Jawahar and McLaughlin, 2001). In light of this, many recent instrumental studies (Aupperle et al., 1985, Barton et al., 1989, Cochran and Wood, 1984, Cornell and Shapiro, 1987, Preston and Sapienza, 1990, Preston et al., 1991) with regards to corporate social responsibility (CSR), all of which make explicit or implicit reference to stakeholder perspectives, have used statistical methodologies to try to verify this connection (Berman et al., 1999 and Harrison and Fiet, 1999). Other studies (O'Toole, 1991, Kotter and Heskett, 1992) have been based on direct observation and interviews.

At a practitioner level Odgen and Watson (1999) carried out a detailed case study into corporate and stakeholder management in the UK water industry to find out whether the companies were able to competing stakeholder interests. They found that providing higher levels of customer service affected the financial performance of the companies in the short term due to the costs involved. Interestingly, the share prices of the companies increased as a result of improved

customer service. Based on this outcome, Odgen and Watson (1999) concluded that the water companies were able to balance the interests of customers and shareholders, in spite of the observed short-term costs. Orlitzky et al. (2003) on their part, conducted a meta-analytic review of primary quantitative studies pertaining to CSP and CFP relationship and found that: (1) CSP is positively related with CFP; (2) the relationship has a tendency to be bi-directional; (3) reputation appears to be an important mediator of the relationship; and (4) stakeholder mismatching, sampling error, and measurement error can explain 15 per cent and 100 per cent of the cross-study variation in various subsets of CSP-CFP correlation. Based on their findings, Orlitzky et al. (2003: 16) concluded that, "corporate virtue in the form of social and, to a lesser extent, environmental responsibility is rewarding in more ways than one." In addition, Greenley and Foxall (1996) found a certain relationship between stakeholder orientation and a company's financial performance; but this was found to be dependent on a number of other factors. Wood (1995), however, pointed out that causality is complex, stating that the relationship between CSP and CFP is ambiguous. She has argued that there is no comprehensive measure of CSP and that the most that can be demonstrated with current data is that "bad social performance hurts a company financially."

Even though the question of a positive relationship between a stakeholder approach to strategic management and corporate financial performance has not fully been answered, it is useful to note that the instrumental focus of the theory is not entirely value free, that is, it recognises that corporate actions have consequences, and these consequences count. And corporate actions need not be backed exclusively by moral justifications, as the consequences will determine the most appropriate posture to take, particularly if the consequences affect the wealth creation objective of the firm (Freeman, 1999). Thus, whether or not there is a positive relationship between a stakeholder approach and corporate performance, "If organisations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organisation's purposes" (Freeman, 1999: 234).

2.4.3. Descriptive Perspective

The descriptive strand has not received very much attention in the stakeholder theory debate despite its potential to advance and further establish the theory alongside other management theories. This strand of the theory describes or explains specific corporate characteristics and behaviour, and analyses what managers actually do and what groups are taken into account (Donaldson and Preston, 1995). Accordingly, the descriptive use of stakeholder theory reflects and explains past, present and future states of affairs of corporations and their stakeholders (Donaldson and Preston, 1995). It is based on the empirical relationship between the activities of a firm and affected constituents. The use of the theory in this way provides an understanding of how firms actually practice stakeholder management. It brings to the fore the challenges and opportunities

firms and their managers encounter in their relationships with their diverse stakeholder groups. In light of this Wood (1991) pointed out that it is vitally important to empirically determine how managers view their stakeholder environments, what they do to manage stakeholder relations and how they perceive and evaluate outcomes.

In order for firms and their managers to effectively manage their relationships with stakeholders, they must firstly have an understanding of who their stakeholders actually are; the nature of the relationship, that is, their stakes and claims; the ways through which these stakeholders can affect their strategic objectives, as well as how they are affected by the activities of the firm (Freeman, 1984). The work of Brenner and Cochran (1991) constitutes an early effort to provide a descriptive stakeholder theory of the firm. According to them, the nature of an organisation's stakeholders, their values, their relative influence on decisions and the nature of the situation are all relevant information for predicting organisational behaviour"(Brenner and Cochran, 1991).

Most of the descriptive studies have focused on three themes: (1) the nature of stakeholders, that is, stakeholder analysis; (2) the circumstances and how stakeholders influence organisational decisions and operations; and (3) the strategies firms employ in dealing with them. Phillips et al., (2003) has noted that standing alone, none of these themes can provide a complete framework for managing stakeholder relationship (Phillips et al., 2003). They pointed out that a structured, but flexible approach which incorporates all these themes is required to provide a more robust stakeholder management framework. In view of the observations made by Phillips et al., (2003) this current research seeks to integrate these different themes with a view to providing a more coherent and robust understanding of the practical implications of managing relationships with stakeholders, particularly those identified as nonmarket stakeholders. These themes are discussed in more details in the following subsections.

2.4.3.1. Stakeholder Identification and Prioritisation

The first step to stakeholder management is identifying who or what constitutes a stakeholder (Freeman, 1984, Goodpaster, 1991, Weiss, 2006). In order to facilitate this process, Mitchell et al., (1997) developed a theoretical framework of stakeholder identification and prioritisation to help firms identify and prioritize their stakeholders. By adopting Freeman's (1984) broad definition of a stakeholder so that no potential or actual stakeholder is excluded, Mitchell et al. (1997) proposed that stakeholders can be identified by their possession of one, two or three of these attributes: (1) the stakeholder *power* to influence the firm; (2) the *legitimacy* of the stakeholder's relationship with the firm; and (3) the *urgency* of the stakeholder's claim on the firm. Mitchell et al. (1997) however, recognised legitimacy and power as the core attributes of a comprehensive stakeholder identification model, because they form the basis of the narrow and broad definitions of a

stakeholder respectively. According to Mitchell et al. (1997) "a party in a relationship has power, to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship" (p. 865). They adopted Suchman's (1995) definition of legitimacy, which is, "a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (p. 574).And defined urgency on the basis of, (1) time sensitivity - the degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder, and (2) criticality – the importance of the claim or the relationship of the stakeholder. Based on these two attributes, they defined urgency as "the degree to which stakeholder claim calls for immediate attention" (Mitchell et al., 1997: 867).

Mitchell et a. (1997) combined these three attributes and devised seven classes of stakeholders; three possessing one attribute, three possessing two attributes and one possessing all three attributes, as shown in the figure below.

Figure 4

Stakeholder Identification and Salience Typology

POWER   LEGITIMACY

Dormant Stakeholder • Dominant Stakeholder • Discretionary Stakeholder • Definitive Stakeholder • Dangerous Stakeholder • Dependent Stakeholder • Demanding Stakeholder • Non-stakeholders
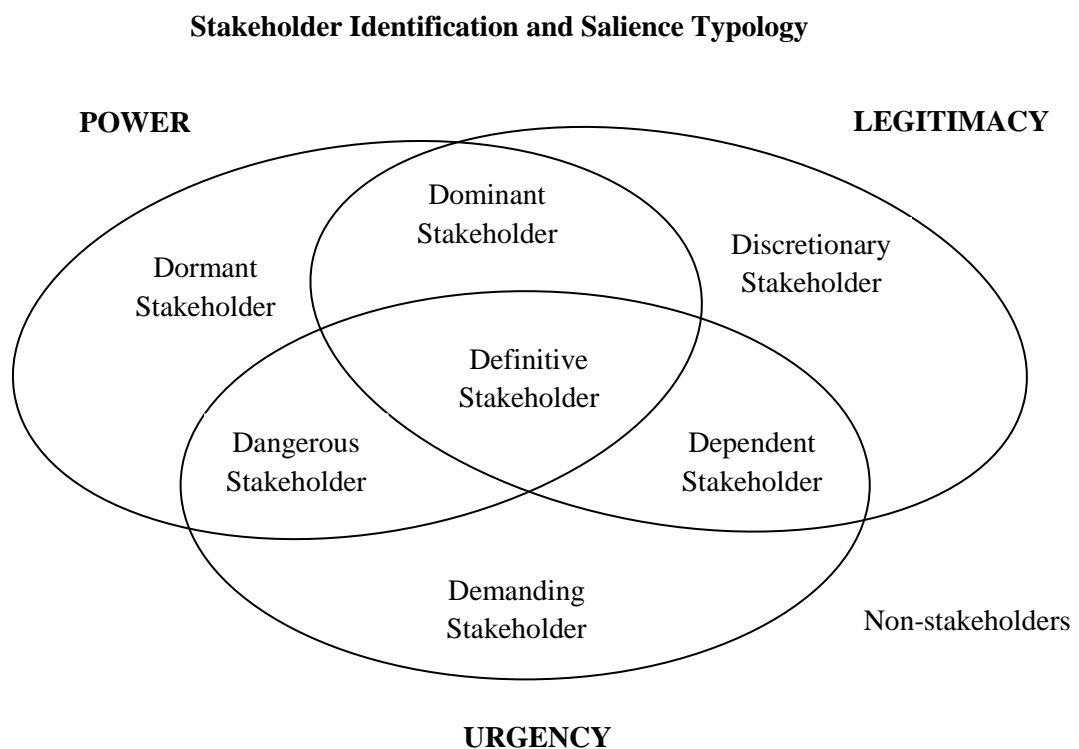
URGENCY

Source: Mitchell et al (1997: 874)

A group or individual possessing only one of the three identifying attributes (power, legitimacy or urgency) is identified as a ***latent stakeholder***. Latent stakeholders include dormant, discretionary and demanding stakeholders. Mitchell et al. (1997) argue that due to limited resources to track stakeholder behaviour and to manage relationships, managers may do nothing about stakeholders whom they believe possess only one of the identifying attributes, and some managers may not

even recognise their existence. They described the individual or group possessing two of the identifiable stakeholder attributes as an ***expectant stakeholder***. Expectant stakeholders include dominant stakeholders, dependent stakeholders and dangerous stakeholders. A stakeholder with two attributes stakeholder could be active or passive. According to Mitchell et al. (1997) the level of engagement between managers and these expectant stakeholders is likely to be high. The seventh stakeholder in the typology is the ***definitive stakeholder***. Stakeholders in this class are powerful, legitimate and have urgent claims. Stockholders are an example of stakeholders in this category. According to this typology, entities that are perceived as not having power, legitimacy or urgency in relation to the firm are not considered to be stakeholders and are perceived as having no salience by the firm's managers.

A key feature of Mitchell et al.'s (1997) stakeholder identification framework is that none of the attributes are fixed in time. That is, a stakeholder's claim may be legitimate at one time, but not at another. Similarly, a stakeholder may be in a position of power at one time, but not at other times. The dynamic nature of the model means that a person or group who possesses only one (or two) attributes and whose concerns are of a low (or moderate) priority can rise to a status of moderate (or high) priority by acquiring a missing attribute. Building on this stakeholder identification typology Mitchell et al. (1997) proposed a theory of stakeholder salience. They defined stakeholder salience as "the degree to which managers give priority to competing stakeholder claims" (1997: 854). Mitchell et al. (1997) argue that to achieve certain ends, or because of perceptual factors, managers may pay a certain kind of attention to certain stakeholders. In this theory they suggested a dynamic model based upon the identification typology that permits the explicit recognition of situational uniqueness and managerial perception to explain how managers prioritise stakeholder relationships.

The central thesis of Mitchell et al.'s (1997) theory of stakeholder identification is that a stakeholder is any individual or group which possesses any of these three attribute, and that the salience of a stakeholder is dependent on a manager's perceptions of a stakeholder's possession of these three attribute. Although Mitchell et al. (1997: 871) defined power, legitimacy and urgency in an objective fashion; they also acknowledged the importance of managerial perception of these attributes. Harvey and Schaefer (2001: 254), however, viewed the objective measurement of stakeholder attributes as "very difficult and also perhaps unnecessary, given that managers will respond to their perceptions of stakeholder influence and not any objective measurement outside these perceptions." Over the last decade, the framework developed by Mitchell et al. (1997) has become quite popular. A search in Google Scholar produced over 3,574 citations in published work as of March 7, 2012.

A few empirical studies have employed Mitchell et al.'s (1997) framework and have attempted to test its fundamental propositions: Agle et al. (1999); Harvey and Schaefer (2001); Parent and Deephouse (2007); and Magness (2008). Majority of studies citing Mitchell et al.'s (1997) work take the attributes of power, legitimacy and urgency as a given and describe stakeholders in terms of these attributes. In testing the framework, Agle et al. (1999) examined power, legitimacy, urgency, and salience from the perspective of CEOs. They found that from the CEOs perspective, the stakeholder attributes of power, legitimacy and urgency individually are collectively related to stakeholder salience across all stakeholder groups used in the study. Their findings suggest that these stakeholder attributes do actually affect the degree to which top managers give priority to competing stakeholders. According to Mitchell et al. (1997) the characteristics of individual managers would moderate the relationship between stakeholder attributes and salience. Agle et al. (1991), however, did not find support for this proposition when they used the values of CEOs as moderator in their empirical work. Agle et al. (1999: 520) concluded that, "urgency is the best predictor of salience."

Harvey and Schaefer (2001) investigated the relationship between six U.K water and electricity companies and their environmental stakeholders, the attitude of managers towards environmental stakeholders, and the stakeholder groups that were perceived as important by managers. They employed qualitative research method, collecting primary data through semi-structured interviews. They found that the companies did not have a systematic way of determining the importance of each stakeholder group. Rather the salience of stakeholders was determined by managers' intuition and the stance of the stakeholders towards the firms. Harvey and Schaefer (2001) also found that managers tended to consider stakeholders with institutional powers, such as government through legislation, and environmental and economic regulators, as most influential. In addition these stakeholders were considered to have significant power, legitimacy and urgency. Harvey and Schaefer (2001) concluded that power, legitimacy and urgency impacted on managers' perceptions of, and reactions to, different stakeholder groups, thus confirming the assertion made by Mitchell et al. (1997) that managers' perception of the presence or absence of the attributes of power, legitimacy, and urgency determines which stakeholders are give attention.

Parent and Deephouse (2007) examined stakeholder identification and prioritisation by managers. Their research question was "How do managers identify and prioritise stakeholders; and to what extent do these managerial practices fit with Mitchell et al.'s (1997) framework?" They examined this question using a multi-method, comparative case study of two large-scale sporting event organising committees, with a particular focus on manager interviews at three hierarchical levels. Parent and Deephouse (2007) found that the manager's role and hierarchal level played an important role in stakeholder identification and prioritisation. Firstly, they found that the hierarchal level moderated the relationship between stakeholders' attributes and salience.

Secondly, hierarchal levels had a direct positive effect on the number of stakeholders identified; and top-level managers did not necessarily identify stakeholders. The analysis by Parent and Deephouse (2007) suggests that identification of specific stakeholders is dependent on the manager's position in the hierarchy and their role. They concluded that stakeholder power was the primary predictor of salience, followed by urgency and legitimacy (Parent and Deephouse, 2007).

Magness (2008) used Mitchell et al. (1997) framework to investigate the dynamics of decision-making by managers and investors. Two environmental accidents in the mining industry provided the context for her study. Magness (2008) used content analysis to assess changes in annual report disclosure for the years immediately before and after each accident as a measure of the managerial response. Her overall findings have supported the argument that decision-makers defined definitive stakeholder status and that it is transient in nature. She has argued that decisions motivated by the presence of legitimacy, power and urgency ignore the intrinsic value that some stakeholders, as well as other groups, ascribe to environmental resources (Magness, 2008). Furthermore, Magness (2008) argues that decisions which are motivated by the presence of legitimacy, power, and urgency, are altogether outside an ethical framework. She has argued for the legitimacy perspective of stakeholder theory; whereby the right of the corporation to exist is conferred upon it by society through social contract; but only when the value system of the company is perceived to be congruent with that of the society in which it operates (Dowling and Pfeffer, 1975). This right can be revoked if the company is thought to have breached any of the terms of its social contract (Deegan, 2002 in Magness, 2008). Magness (2008) contended that legitimacy provides the normative base for determining who or what really counts in the minds of decision-makers.

The preceding section has analysed Mitchell et al.'s (1997) stakeholder identification and prioritisation frameworks and discussed some empirical studies that tested them. Mitchell et al.'s (1997) thesis was that a stakeholder is any individual or group that possessed either the power to influence a firm, is considered legitimate by a firm, and has urgent claims. They claimed that a manager's perception of the presence of these attributes determined which stakeholder is considered salient and given attention. Interestingly, in addition to confirming the importance of managerial perception in the determination of stakeholder salience, the empirical studies that tested Mitchell et al.'s (1997) drew different conclusions on the attributes that stood out in the determination of stakeholder salience. For example, Agle et al. (1999) concluded that urgency is the best predictor of salience, Parent and Deephouse (2007) identified power, while Magness (2008) contended that legitimacy provided the basis for stakeholder salience. Freeman (1984: 64), however, states, "analysing stakeholders in terms of the organization's perception of their power is not enough. When the perceptions are out of line with the perceptions of the stakeholders, all the brilliant strategic thinking in the world will not work." In other words, stakeholder analysis should

go beyond managerial or organisational perception of who or what constitutes a stakeholder based on the attributes discussed or any other employed by a firm to incorporate individuals and groups who may be or are affected by the achievement of a firm's objectives. As observed by Donaldson and Preston (1995:76), "stakeholders are defined by their legitimate interest in the corporation, rather than simply by the corporation's interest on them."

The next section takes the descriptive use of the stakeholder theory a step further by identifying specific strategies stakeholders adopt in order to influence organisational policies and practices, and the response strategies of the firms.

2.4.3.2. Stakeholders Influence and Firms' Response Strategies

The preceding section discussed attributes that qualified groups or individuals as stakeholders, and the role of managers in determining stakeholder salience. Mitchell et al.'s (1997) stakeholder identification and salience framework, which has been empirical tested by a few scholars, provides an organisational perspective of stakeholder identification and salience, focusing on those who can affect the organisation. Thus, while the preceding section highlights important stakeholder attributes that can facilitate stakeholder identification, this section identifies and discusses specific strategies stakeholders employ in order to influence organisations, as well as other stakeholder characteristics that draw the attention of firms and their managers, and the strategies firms adopt in response to these stakeholder strategies and characteristics.

Until Freeman's seminal work (1984), strategists such as Porter (1980) ignored the impact of stakeholders on the formulation and implementation of strategy, advocating that industry structure alone determines an appropriate strategy. Freeman took Porter's five forces model for analysis (competitiveness, relative power of customers and suppliers, and the threat of substitutes and new entrants) and added a further dimension: the relative power of stakeholders and their potential to cooperate with or threaten corporate strategy (Freeman, 1984). A few scholars have attempted to identify specific strategies stakeholders adopt in their bid to influence the behaviour of firms. The earliest attempt at understanding how stakeholders actually affected the organisation was the work associated with Vogel's (1978), which focused on strategies such as proxy resolutions and boycotts. In recent years other researchers have focused on shareholder resolution (Thompson and Davis, 1997) and modified vendettas (Corlett, 1989, Shipp, 1987).

A number of researchers have empirically tested some of these stakeholder influence strategies; in these studies scholars have considered the effectiveness of these strategies or the market's reaction to such strategies and have also examined boycotts (Garrett, 1987), divestures (Davidson, 1995) and letter-writing campaigns (Smith and Cooper-Martin, 1997). The majority of these studies have merely listed and discussed these stakeholder influence strategies. Frooman (1999) developed this

area further by modelling stakeholder influence strategies in order to help managers understand and manage the effects of stakeholders' actions. He integrated resource dependence theory with stakeholder theory into his work, and based his analysis on a case study of a confrontation between an environmental organisation, the Earth Island Institute (EII) and the U.S. Tuna Company, Starkist in 1988. The central idea behind resource dependence theory is the notion that a firm's need for resources provides opportunities for others to gain control over it (Pfeffer and Salancik, 1978). Using resource dependence theory, Frooman (1999) generated four types of stakeholder influence strategies: withholding, usage, direct and indirect; and four types of company-stakeholder relationships: firm power, high interdependence, low interdependence and stakeholder power. According to Frooman (1999) withholding strategies are related to a stakeholder discontinuing the provision of a resource to a firm with the intention of making the firm change a particular behaviour. A stakeholder may choose to merely threaten to withhold a resource which may therefore influence a firm's behaviour if that resource is vital.

Conversely, stakeholders employing usage strategies may still continue supplying the resource; but they do so with strings attached. Both strategies are employed to influence a change in firm behaviour. Stakeholders employ withholding strategies when the balance of power favours the stakeholders; whilst usage strategies are employed when there is a balance of power between the stakeholder and the firm, and the cost of stakeholders' actions are divided evenly between firm and stakeholders (Frooman, 1999). Stakeholders may directly employ withholding and usage strategies by manipulating the flow of resources to a firm. With indirect influence strategies however, stakeholders may work with or through other agents who have a direct relationship with the focal organisation to influence the flow of resources (Frooman, 1999).

Figure 5

Typology of Influence Strategies and Resource Relationships

		Is the stakeholder dependent on the firm?	
Is the firm dependent on the stakeholder?	No	No Indirect /withholding (Low interdependence).	Yes Indirect/Usage (Firm power).
	Yes	Direct/Withholding (Stakeholder power).	Direct/usage (High interdependence).

Source: Frooman (1999)

Frooman (1999) concludes that the balance of power between stakeholders and firms will determine the type of strategies stakeholders they will use. If the stakeholder dependence on the

firm is high, the stakeholder may employ indirect strategies, forming alliance with other powerful agents. Conversely, if the firm dependence on the stakeholder is high, then the stakeholder will employ direct strategies. Building on Frooman's (1999) work, Friedman and Miles (2006) identified stakeholder influence strategies that did not rely on withholding or controlling resources, but on the ability to act in ways that resulted in the disruption of organisational operations or damage. They classified these stakeholder strategies as damage strategies, and noted that such strategies are usually regarded by outside observers as wasteful. Friedman and Miles (2006) observed that damage strategies are not well understood in the literature, or among managers of focal organisations.

Hill and Jones (1992) emphasised the potential for collaboration between stakeholders as the basis for their influence. They developed a framework which depicted the firm as a nexus of contracts between diverse stakeholders with managers positioned at the centre of this nexus. In their view, managers are the only stakeholders who can simultaneously enter into a relationship with all other stakeholders, whilst at the same time making organisational decisions. According to Hill and Jones (1992), stakeholders are most likely to succeed in influencing organisational decisions when managers are sure of the strategic importance of the stakeholders. They identified two potential strategies which firms may employ in dealing with such stakeholders: (1) strategies aimed at reducing the concentration of stakeholder power; and (2) strategies aimed at increasing the concentration of management power (Hill and Jones, 1992: 146). Rowley (1997) also made an important contribution to the descriptive stakeholder theory by providing a theoretical and an empirical analysis of firms' responses to stakeholder influence. According to Rowley (1997) "how stakeholders affect firms and how firms respond to these influences will depend on the network of stakeholders surrounding the relationship." Rowley considered multiple and interdependent interactions within the stakeholder environment, with the focal organisation in a network of stakeholders linked to other stakeholders, and without the focal organisation being at the hub as in Freeman's (1984) stakeholder model or Hill and Jones' (1992) framework. Rowley (1997) developed a model of stakeholder influence and organisational response to stakeholder pressure. In this model, the density of the stakeholder network and the centrality of the focal organisation determined the strategy the organisation would adopt in dealing with stakeholders pressure. The four strategies identified by Rowley (1997) are *compromiser*, *commander*, *subordinate*, and *solitarian*. See Figure 6 below

Figure 6

Centrality of focal organisation

	Hi	Lo
	Compromiser	Subordinate
	Commander	Solitarian

Density of the stakeholder network — Hi ... Lo

Source: Organisational Response Strategies to Stakeholder Network: Rowley (1997: 901)

In his analysis, Rowley (1997) observed that stakeholder networks with dense ties are more coordinated; and with shared behaviours and values they easily form coalitions and are able to constrain a focal organisation. Thus for such stakeholder networks, the focal organisation is less able to play one group of stakeholders in the network against others; or even find a sympathetic group within the network with whom it can form an alliance. An organisation in such a circumstance adopts the role of a *compromiser* in order to balance, pacify, and negotiate with stakeholders to appease expectations and to reduce likely collective action.

A centrally located organisation in the midst of uncoordinated stakeholders will encounter fewer constraints, and thus is able to achieve high levels of discretion. Such an organisation will adopt a *commander* role in which stakeholders are co-opted through one form of manipulation or the other (Rowley, 1997). On the other hand, an organisation that find itself at the edges of a high-density stakeholder network will have power disadvantage, and thus have no option but to subordinate authority, acceding to stakeholders expectations. Such an organisation will assume the role of a *subordinate*. Finally, an organisation that finds itself at the edges of a low-density stakeholder network will adopt a withdrawal strategy, of concealment and buffering, to avoid stakeholder attention (Rowley, 1997). Rowley (1997) calls this strategy *solitarian*.

Rowley (cited in Rowley, 1997) tested the model he proposed on one network constructed for the semiconductor manufacturing industry and another constructed for the steel producing industry and his results were consistent with the suggested model:

> "Firms operating in dense stakeholder networks are less likely to manage their stakeholders by controlling and dominating the relationships than firms in sparsely connected networks …Centrality negatively affects compromisers and subordinate

behaviour. Thus firms occupying peripheral positions in their stakeholder networks are more likely to cooperate with their stakeholders – negotiate with, and acquiesce to, their stakeholders – than firms situated in central positions." (2000: 32-3)

Rowley's (1997) argues that stakeholder influence is not determined solely by attributes possessed alone as suggested by Mitchell et al., (1997); but also by the way in which different stakeholder groups interact and form networks. Therefore companies that are confronted with multiple stakeholders that are coordinated in their efforts are more likely to show stronger social performance.

Freeman (1984) and Huse and Eide (1996) on their part, have suggested that stakeholder power and influence can be based in one of the following: a formal or institutionalised basis, an economic basis or a societal legitimacy basis. In their study of how utility companies managed their relationships with environmental stakeholders, Harvey and Schaefer (2001) found that the companies who were investigated considered stakeholders' who were perceived to have economic or institutional power most influential.

Freeman (1984) developed a four-way theoretical typology of strategies firms could employ when dealing with stakeholders in their market environment. The effectiveness of these strategies depended on a stakeholder's potential for change and relative power. These strategies include ***offensive strategies***, ***defensive strategies***, ***swing strategies***, and ***hold strategies***. According to Freeman (1984), firms should adopt *offensive strategies* if a stakeholder group has relatively high cooperative potential and relatively low competitive threat. The aim of this strategy is to increase the stakeholder's potential for cooperation. Offensive strategies include attempts to change stakeholder's perceptions and objectives. When dealing with competitive threats, firms should adopt *defensive strategies*, particularly if the stakeholder group poses a relatively high competitive threat and relatively low cooperative potential. In dealing with a stakeholder group with relatively high cooperative potential and competitive threats, Freeman (1984) suggested that firms should adopt *swing strategies*, which seek to influence the rules that govern the company-stakeholder relationship. Finally, hold strategies should be adopted when dealing with a stakeholder group with low competitive threat and cooperative potential. This strategy allows a firm to concurrently maintain its current strategic agendas and the stakeholder's position. See Figure 7 below.

Figure 7

Hi

Change the rules

Relative
cooperation
potential

| Swing | Offensive |
| Defensive | Hold |

Lo

Exploit

Hold
current
position

Defend

Relative competitive threat
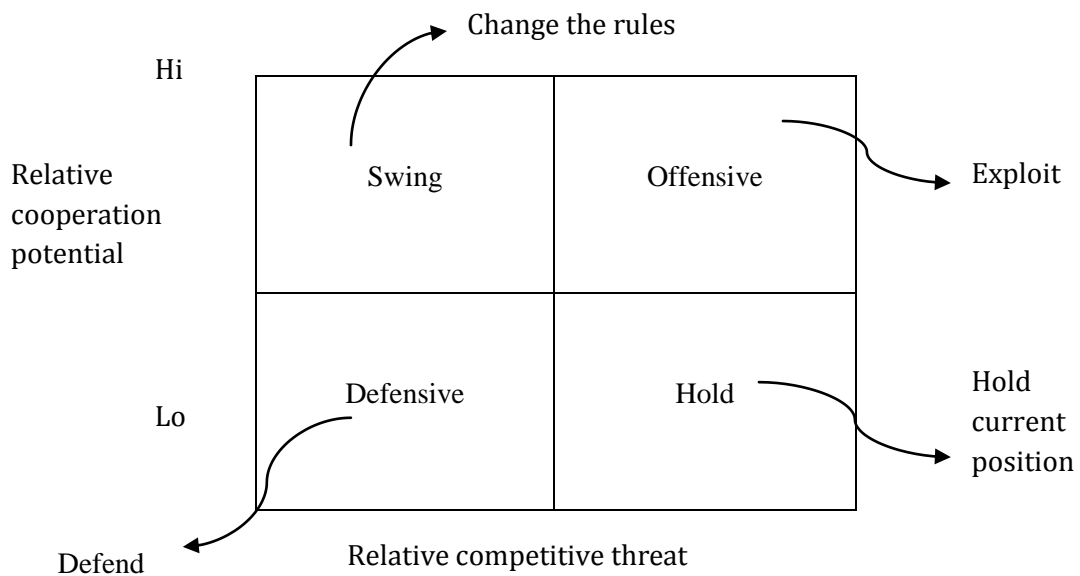
Source: Generic Organisational Response Strategies for Market Stakeholders: Freeman (1984: 143)

Building on Freeman's (1984) model above, Savage et al. (1991) developed strategies for assessing and managing stakeholders. In their model, stakeholder power was determined by resource dependence, the stakeholder's ability to firm coalition, and the relevance of the threat in relation to the issue at hand. A stakeholder's potential to cooperate is determined to some extent by the stakeholder's capacity to expand its interdependence with the organization. According to Savage et al., (1991) the quality and durability of the organisation-stakeholder relationship could also be used to assess the potential of threat. Further, they noted that a stakeholder's willingness to cooperate could be affected by the business environment, that is, the specific context and the history of the organization-stakeholder relation, as well as other stakeholders influencing the organisation. They identified four-stakeholder types, mixed blessing, non-supportive, marginal, and supportive, and specific strategies firms could adopt in dealing with them. See Figure 8 below.

Figure 8

| | Potential for threat | |
	Hi	Lo
Potential for cooperation — Hi	Stakeholder type 4 — *Mixed blessing* — Strategy: collaborate	Stakeholder type 1 — *Supportive* — Strategy: involve
Potential for cooperation — Lo	Stakeholder type 3 — *Non-supportive* — Strategy: defend	Stakeholder type 2 — *Marginal* — Strategy: monitor

Source: Savage et al. (1991: 65)

Supportive stakeholders (type 1) correspond to Freeman's 'offensive category and associated strategy of exploitation. Savage et al. (1991) view supportive stakeholders as the 'ideal type', and they include board of trustees, managers, employees, suppliers, service providers, and in some cases non-profit organisation. Both Freeman (1984) and Savage et al.'s (1991) models suggest involvement strategies for stakeholders in this category. Marginal stakeholders (type 2) correspond with Freeman's 'hold' quadrant, and are mostly unconcerned about their stakes in the organisation as they have low potential for threat or cooperation. Monitoring is the suggested strategy for stakeholders in this category. Non-supportive stakeholders (type 3) pose the most challenge for organisations because of their high potential for threat and low potential for cooperation. Stakeholders in this category include the media, unions, and government. Both models suggest the use of defensive strategies in dealing with them. The final category in Savage et al.'s (1991) model is mixed blessing stakeholders (type 4). They have a high potential to cooperate and threaten an organisation, and it is suggested that organisations collaborate with them (Savage et al., 1991), or change the rules (Freeman, 1984). Both strategies seek to increase potential for cooperation and reduce potential for threat. Fineman and Clarke (1996) in their empirical study on how companies in four different industries related to environmental stakeholders, found that companies could be more willing to engage with those environmental stakeholders they found to be co-operative and non-threatening to the company's activities. In a similar study, Harvey and Schaefer (2001) also found that the companies they studied tended to avoid potential stakeholders that were considered to be hostile. Fineman and Clarke (1996) and Harvey and Schaefer's (2001) studies thus support Freeman (1984) and Savage et al.'s (1991) theoretical frameworks.

Harrison and St. John (1998) on their part, distinguished between two basic postures for managing stakeholders: ***buffering*** and ***bridging***. Accordingly, *buffering* is the traditional approach for most external stakeholder groups and is aimed at containing the effects of stakeholders' actions on the firm. It includes activities such as market research, public relations and planning. They have asserted that buffering raises the barriers between the firm and its external stakeholders. In contrast, *bridging* involves forming a strategic partnership (Barringer and Harrison, 2000). This approach requires recognising common goals and lowering the barriers around the organisation. Partnering is considered proactive and builds on interdependence (Freeman and McVea, 2005); and also regards the creation and enlarging of common goals rather than simply adapting to stakeholder initiatives.

Jawahar and McLaughlin (2001) used organisational life cycle stages to identify stakeholders deemed important or salient, the conditions under which they are considered salient and how firms deal with stakeholders in terms of their importance. Drawing upon Clarkson's (1995) work on organisational strategic responses (i.e. proactive, accommodative, defensive, and reactive) to stakeholders and issues, Jawahar and McLaughlin (2001) analysed how firms actually responded to different stakeholders at different stages in their organizational life cycle. They found that the issues and concerns of stakeholders with potential to meet critical organisational needs were proactively addressed or at least accommodated by organisations. Conversely, defensive and reactive strategies were employed in dealing with other stakeholders, depending on the extent to which the organisation relied on those stakeholders. For example, driven by possible failure at the start-up and decline stages, organisations are more likely to pursue risky strategy of actively addressing only the interests of stakeholders that are viewed as critical for avoiding failure (Jawahar and McLaughlin, 2001). In dealing with non-critical stakeholders, organisation will pursue strategies of defending against, ignoring interests or denying responsibility for issues.

Jawahar and McLaughlin (2001) noted that organisations do not purely use different strategies to deal with different stakeholders at any given time; but they also use different strategies to deal with the same stakeholder over time. They observed that the strategy an organisation uses to deal with stakeholders varies with the life cycle stage of the organisation. Jawahar and McLaughlin (2001) conclude in their study that identifying the relative importance of stakeholders and describing the strategies organisations use in dealing with those stakeholders should be the essence of any viable descriptive stakeholder theory. This concluding remark by Jawahar and McLaughlin further highlights the need for empirical work that identifies specific strategies organisations employ in managing their relationship with stakeholders.

2.4.3.3. Stakeholder Engagement

Stakeholder engagement is one topic that has not received much attention in the stakeholder theory discourse (Noland and Phillips, 2010). Greenwood(2007) has also observed that, "many accounts of stakeholder activities focus on the attributes of the organisations or the attributes of the stakeholders rather than on the attributes of the relationship between organisations and stakeholders." Thus very little is known about how firms actually engage or relate with their stakeholders, particularly nonmarket stakeholders. Friedman and Miles (2006: 152) defined stakeholder engagement as "the process of effectively eliciting stakeholder views on their relationship with the organisation." According to Greenwood (2007) stakeholder engagement is, "understood as practices the organisation undertakes to involve stakeholders in a positive manner in organisational activities." In Lerbinger (2006) view, engagement is about developing and sustaining relationships with stakeholders. Senecah (2004) has suggested that the most essential criteria for meaningful engagement include: providing stakeholders with opportunities to speak without fear, ensuring that all opinions are respected and enabling stakeholders to influence resulting actions. Others believe that honest, open and fair engagement of stakeholders is necessary for business organisations to function properly (Freeman et al., 2007, Freeman et al., 2004, McVea and Freeman, 2005, Phillips, 2003).

In the literature, stakeholder engagement has mainly been described in terms of communication and dialogue (Strong et al., 2001, Zadek and Raynard, 2002, Zoller, 1999). There is no doubt that communication is viewed as an effective tool for maintaining stakeholder relationships. For example, through communication an organisation can understand the expectations of its stakeholders and keep them informed (Chinyio and Akintoye, 2008). Heath and Bryant (1992) state that, "if an organisation fosters two-way communication, it is likely to increase trust that it is acting in the interests of others and thereby foster their willingness to act in the interest of the organisation" (p. 263). And trust is viewed as fundamentally a moral position, from which an organisation operates, engages in communication, encourages stakeholder participation and makes its ethical principles known, understood and upheld (Smudde and Courtright, 2011).

Noland and Phillips (2010) have distinguished between firms merely interacting with stakeholders and engaging with them. They noted that interacting with stakeholders is logically necessary, but pointed out that a firm may interact with stakeholders without ever engaging them as people. On the other hand, engagement is interaction that involves, at a minimum, recognition and respect of common humanity, and taking cognizance of the ways in which the actions of one may affect others (Noland and Phillips, 2010). McVea and Freeman (2005) have stated that it is important to "see stakeholders as individuals with names and faces." They have argued that when stakeholders are viewed this way, it will help to put business and ethics together. Thus, seeing stakeholders as

individuals with names and faces enables managers to pursue their strategic objectives with a consciousness of moral obligations. Furthermore, Noland and Phillips (2010) added that viewing stakeholders as individuals with names and faces could potentially provide a better framework for capturing the essence of stakeholder engagement.

Zadek and Raynard (2002) analysed the quality of firm's engagement by its procedural and responsiveness quality and the quality of the outcome. Procedural quality is related to how the engagement is undertaken and whether it reflects outlined purposes. How formalised the nature of procedures is also considered of importance; and whether it empowers stakeholders to initiate engagement on their own to surface their concerns and issues (Zadek and Raynard, 2002). The quality of responsiveness is related to whether an organisation has responded coherently and responsibly to the issues raised by stakeholders; and whether the identified stakeholders' issues are reflected in the policies and practices of the organisation thereafter (Zadek and Raynard, 2002). Put another way, the quality of the outcome of the engagement is evidenced by the extent to which the organisation has adjusted its policies and practices and the level of stakeholder satisfaction. Additionally, Friedman and Miles (2006) pointed out that quality stakeholder engagement must reflect a link between engagement and decision-making. Thus, it is the policies and practices of the organisation that indicate whether stakeholders' issues, concerns or interests identified during engagement are taken into consideration (Friedman and Miles, 2006).

The legitimacy of the engagement is considered another important factor, particularly in relation to the stakeholders selected for the process (Doyle and Stern, 2006). Engaging with stakeholders who do not represent the interests and concerns of the larger stakeholder group can potentially invalidate the process. In addition, Doyle and Stern (2006) have pointed out that if an organisation focuses on one stakeholder alone, the interests of its other stakeholders will be devalued. Stakeholders should therefore be managed collectively. However, their individual needs and uniqueness should also be taken into account (Gibson, 2000). This way their missions, strengths, weaknesses, strategies and behaviours will be engaged more circumspectly (Cleland, 2002). Thus, a key factor in stakeholder engagement is whether stakeholders have meaningfully and actively participated in the engagement process.

In addition, Healey (1996) identified three key requirements for a collaborative engagement process: (1) the design of arenas or platforms that are accessible to all of those with a stake in an issue; (2) transferring power to make decisions close to those who are affected; and (3) promoting engagement methods which allow diverse point of views to be explored. However, Noland and Phillips (2010) have noted that the power disparity that is often present between firms and their stakeholders may have some influence on the manner and outcomes of their engagement. Where a firm has relative power over stakeholders, engagement, although projected as a good faith

exercise, could actually be an exercise of force and coercion and therefore aimed at influencing outcomes (Noland and Phillips, 2010).

Stakeholder engagement can be undertaken for moral or strategic reasons. When it is pursued for strategic reasons, then the tendency is to employ immoral strategies, which amounts to manipulation (Zakhem, 2007). Foster and Jonker (2005) have observed that standard frameworks and methods of stakeholder engagement rarely rise to the level of moral engagement as strategic motives usually come into play. The aim of moral stakeholder engagement is to achieve understanding and agreement between parties on how to order their future interactions, taking into considerations all of those who are affected, ensuring that they take part in the engagement process (Noland and Phillips, 2010). Moral stakeholder engagement means that a firm's stakeholder engagement should not be driven by strategic goals.

Friedman and Miles (2006) developed a 12-step conceptual model of stakeholder management. This is shown in Figure 9 below.

Figure 9

Stakeholder Management tool and nature of response   **Intention of engagement**

Degrees of stakeholder power	12. Stakeholder control	Majority representation of stakeholders in decision-making process.	
	11. Delegated Power		Forming or agreeing to decisions.
	10. Partnership	Minority representation of stakeholders in decision-making process.	
Degrees of involvement	9. Collaboration	Joint decision-making power afforded to stakeholders over specific projects.	
	8. Involvement	Stakeholders provide conditional support; if conditions are not met support is removed. The organisation decides the extent of conformity.	Having influence on decision.
Degree of tokenism	7. Negotiation		
	6.Consultation	Organisation has the right to decide; stakeholders can advise.	
	5. Placation	Appease the stakeholder. Stakeholders can hear and be heard, but have no assurance of being heeded by the organisation. Educate stakeholders.	Being heard before a decision.
	4.Explaining		
Non-Participation	3.Informing	Educate stakeholders.	
	2. Therapy	'Cure' stakeholders of their ignorance and preconceived beliefs.	Knowledge about decision.
	1. Manipulation	Misleading' stakeholders, attempting to	

Source: Friedman and Miles (2006) Ladder of Stakeholder Management and Engagement

In this model, the lower levels (manipulation, therapy and informing) relate to situations where an organisation merely informs stakeholders about decisions which have already been made. Friedman and Miles (2006) have described this style of stakeholder management as autocratic because stakeholders do not participate in the decision making process. There is a modicum of stakeholder participation at levels 4 (explaining); 5 (placation); 6 (consulting) and 7 (negotiation). At these levels, stakeholders are given the opportunity to express their concerns prior to decision-making; but there are no guarantees that the issues they have raised will influence policy or practice. Placation, which is at level 5, is usually a response to stakeholder unrest; and is an attempt to appease or contain situations (Friedman and Mile, 2006). Consultation is used to solicit

stakeholders' opinions on issues predetermined by the organisation, and not necessarily issues of concern to stakeholders. Nevertheless, Polonsky (1996) and Altman and Petkus (1994) have observed that consultation and information sharing are important components of the stakeholder management process. The final category under tokenism is negotiation and is the first category of engagement where a stakeholder group may have some level of influence in the decision-making process. It is usually a defensive response to stakeholder demand or threat that cannot be ignored (Friedman and Miles, 2006).

The higher levels of engagement, that is, involvement, collaboration, partnership, delegated power and stakeholder control are attempts by an organisation to empower stakeholders so that they can influence corporate decision-making. Friedman and Miles (2006) have pointed out that engagement at these levels requires trust between the organisation and the stakeholder group. At level 8, which pertains to involvement, an organisation is willing to engage with stakeholders on issues of mutual concern which can be either a negative or positive stakeholder action. At the level of collaboration, an organisation seeks to work jointly with stakeholders on specific projects, and although stakeholders may have a degree of power over the outcomes, ultimate control however, still rests with the organisation. Partnership is similar to collaboration in the sense that an organisation may seek to execute specific projects jointly with a stakeholder group; but differs in that it implies joint decision-making between the stakeholder and the organisation, for example, joint ventures. The highest form of stakeholder engagement is level 12, which pertains to stakeholder control. At this level, stakeholders have the highest authority and whatever decisions they make are binding even to the top-level management. However, this form of engagement is very rare (Friedman and Miles, 2006).

Summary

This literature review has extensively discussed the issues, debates as well as pertinent theoretical and empirical studies on the stakeholder approach. The stakeholder approach calls the attention of firms and their managers to individuals and groups, particularly those in their nonmarket environment, who can affect or are affected by their policies and practices. The challenge for firms and their managers today is the management of the diverse stakeholder relationships, and balancing these with the achievement of corporate objectives. Freeman (1984) notes that the long-term success of business organisations in turbulent and rapidly changing environment rests on the ability of the management of organisations to formulate and implement stakeholder management strategies that will bring about win-win outcomes for all concerned. Since its original theoretical proposition by Freeman in the early 1980s, stakeholder theory has undergone rapid growth; however the majority of this advancement has been more conceptual than empirical, raising more questions than answers. The three main streams of research on the stakeholder approach have been

on the normative, instrumental and descriptive dimensions. While the normative and instrumental strands of the theory have received the most attention within academia, the descriptive use of the theory, however, seem to be lagging behind in the stakeholder discourse.

Following the review of the extant literature, the author argues that there is in fact only two uses of the stakeholder theory, the normative and instrumental uses. The descriptive strand plays the important role of revealing what firms might do or actually do in their attempt at a stakeholder approach to strategic management, that is, whether they seek to incorporate and apply normative values in dealing with stakeholders, or focus solely on achieving instrumental benefits through stakeholder management. The stakeholder view of the firm calls for a balancing of normative values and instrumental benefits, with normative values as the core drivers of the instrumental agenda. Adherence to core normative values then compels firms to think not only of their strategic interests, but to take into consideration in their policy formulation, decision making and practices, constituents who may not have any strategic value in the sense of the word, but who are in some ways or the other affected negatively by firms' pursuit of their strategic objectives.

This current research seeks to advance the descriptive use of the theory so that theory and practice can merge and build upon each other. It is argued that the relevance of the stakeholder approach to management practices can only be empirically known. In order for the theory to advance further and become a mainstream management practice, the gap between the theory of stakeholder approach and the practice must be bridged. Theoretical arguments need to be backed by empirical evidence; just as complex real life organisational experiences need to be analysed with the aid of theoretical frameworks. Thus, the practical implications of the stakeholder approach to strategic management proposed by Freeman (1984) is deemed necessary for the emergence of a more robust theory of stakeholder management practice.

By moving the level of analysis from a conceptual to a more empirical one, this research aims to direct attention to the actual practice of stakeholder management; bringing to the fore a rich contextual and situational understanding of this rapidly growing phenomenon. The real world presents an unstable and highly complex platform on which theoretical ideas are tested and not all survive the test. And until theory is put to the test, its usefulness or relevance to practice cannot be ascertained. For example, Freeman's (1984) definition of a stakeholder has instrumental and normative implications, and the only way the extent to which firms in the real world adhere to the stakeholder approach as proposed by Freeman is through empirical investigations.

The review has shown that scholars who have sought to advance the descriptive strand of the stakeholder theory have mainly focused on stakeholder identification and salience and have built upon Mitchell et al.'s (1997) framework. Others have focused on strategies firms might employ or

actually adopt in dealing with stakeholders (Freeman, 1984, Jawahar and McLaughlin, 2001, Savage et al., 1991). And some have studied stakeholder influence strategies (Frooman, 1999, Rowley, 1997). And then there are those who have focused on stakeholder engagement (Chinyio and Akintoye, 2008, Friedman and Miles, 2006a, Greenwood, 2007, Zadek and Raynard, 2002). From earlier discussions the point has been made that identifying stakeholders is the first step towards managing relationships with them. The next step towards managing relationships with identified stakeholders remains grossly under-explored. The studies discussed above have shed some light on the criteria that managers may employ in identifying stakeholders and determining their salience, the strategies stakeholder might use to try to influence the behaviour of firms, and how firms might engage with stakeholders. The researcher, however, could not find any empirical work on what managers or firms actually did to manage their relationships with stakeholders, particularly nonmarket stakeholders like 'communities'.

The question of 'how firms manage their relationships with stakeholders or balance their diverse interests" remains unanswered for the most part. Thus, this research seeks to empirically investigate how corporations manage their relationships with and balance the often-conflicting interests of stakeholders. Specifically, this research asks the question:

> "How do oil companies operating in the Nigerian oil and gas industry manage their relationships with local communities that are affected (negatively) by their operations, and in what ways do the strategies employed by the companies affect these relationships?"

One of the shortcomings observed in the stakeholder theory is the fragmented nature of the studies focused on the descriptive use of the theory. For example, as pointed out earlier, some studies focus on stakeholder identification and salience; a few on stakeholders influence strategies, and others on stakeholder engagement. This present study aims to integrate these different strands to provide a more holistic picture of stakeholder management. The findings of this study would be analysed using the frameworks identified in the descriptive use of theory.

In order to contextualise the findings discussed in later chapters, it is necessary to provide some background on the research context. Also the case study approach adopted in this research emphasizes the importance of historical, political, cultural, social, and economic contexts in understanding the behaviors of individuals, groups and organisations (Denzin and Lincoln, 2005). The next chapters discusses some pertinent political and economics issues that have shaped and influenced not just the oil industry, but also the relationship between the oil companies and stakeholders in the communities in which the companies have their operations.

<div align="center">**CHAPTER THREE**</div>

<div align="center">**CONTEXTUAL BACKGROUND**</div>

3.   Introduction

This chapter discusses the political and economic environment within which the oil industry is embedded, in order to contextualize the research agenda, and to provide the necessary background for understanding the rationale for the research, the underlying issues that influence the behaviours of the oil companies and the oil communities that are negatively affected by oil exploration and production activities. It also provides a brief overview of the oil industry, and some background on the oil-producing Niger Delta region.

3.1.   The Political and Economic Context of the Oil and Gas Industry

3.1.1   Oil Politics

Nigeria has a population of over 140 million people. It is a complex mix of very diverse tribes, cultures, languages and religions, amalgamated into one nation by the British colonial government for ease of governance and commerce on January 1, 1914 (Azaiki, 2006; Falola and Heaton, 2008; Okonta and Douglas, 2003). The predominant ethnic groups and languages in Nigeria are the Hausas, Yorubas and Ibos. The Hausas dominate the northern part of the country, the west by the Yorubas and the east by the Ibos. The south, which is also called the Niger Delta, a picture of diversity, is home to numerous minority tribes, with the Ijaws being the dominant ethnic group. It is also the base of oil and gas production. See map of Nigeria in Figure 10 below showing the Northern, Western, Eastern and Southern regions.

Figure 10

Map of Nigeria
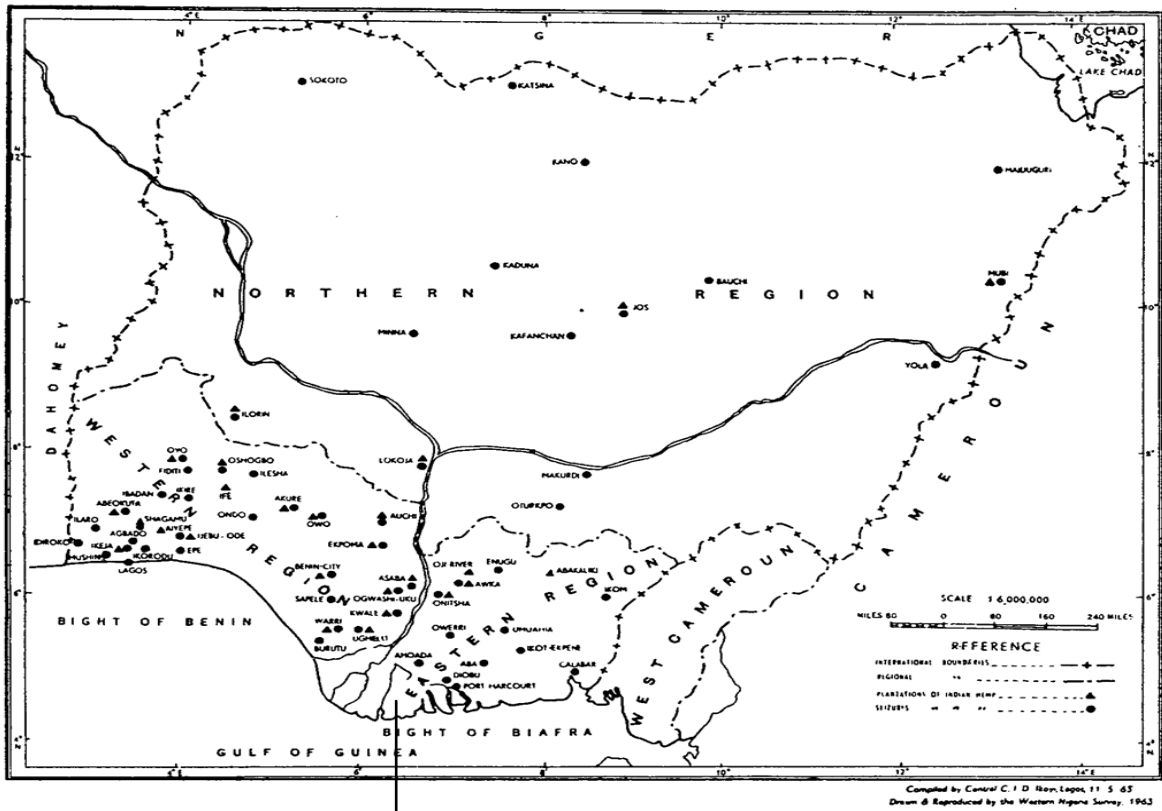
Southern Region

The three major ethnic groups mentioned above have since the country gained independence from the British in 1960, jostled for political control of the country. This struggle for political power is evident in the coups and countercoups that marred the political landscape of the country, leaving its citizens traumatized for years to come (Azaiki, 2006). Under military regimes, citizens' opinion became irrelevant, as government power is not maintained through popularity but through coercion and the control of resources (Falola and Heaton, 2008). From the time Nigeria gained independence from the British colonial government, the country has predominantly been under military regimes. The Table below shows the predominance of military rule in Nigeria:

Table 2

Chronicle of Leadership in Nigeria

Period of Rule	Head of State	Type of Government	Ethnic Origin
1960-66	Balewa	Civilian	Hausa (North)
1966	Ironsi	Military	Ibo (East)
1966-75	Gowon	Military	Middle Belt (Central North)
1975-76	Mohammed	Military	Hausa (North)
1976-79	Obansanjo	Military	Yoruba (West)
1979-83	Shagari	Civilian	Fulani (North)
1984-85	Buhari	Military	Fulani (North)
1985-93	Babangida	Military	Gwari (North)
1983	Shonekon	Civilian	Yoruba (West)
1993-98	Abacha	Military	Kanuri (North)
1998-99	Abubakar	Military	Middle Belt (Central North)
1999-2007	Obansanjo	Civilian	Yoruba (West)
2007-2010	Yar'Adua	Civilian	Hausa (North)
2010-till date	Jonathan	Civilian	Ijaw (South)

Adapted from Frynas, 2000 (updated)

3.1.1.1. Government Policies and the Implications for the Oil Industry

Jones(1995) rightly observes that government policy often affects firm/stakeholder relationships. The laws that govern the oil industry have in many ways served to aggravate the relationship between the oil companies and communities that are affected by their operations. The economy of Nigeria being largely dependent on revenue from oil export, the government, particularly at the federal level determined the boundaries of oil exploration and production activities through decrees and laws promulgated by military regimes headed by the Northerners. What is most interesting about the laws governing the oil industry is how similar they are to those employed by the British colonial government when the country was a colony. For example, Section 1 of the Mineral Ordinance of 1945 provides that:

> "The entire property and control of all minerals and mineral oil, in, under, or upon any land in Nigeria, and of all her rivers, streams, and water course throughout Nigeria, is and shall be vested in the CROWN (cited in Omoruyi, 2002:2).

The Petroleum Act of 1969, which provides a legal supportive framework for oil operations post-independence stipulates that:

> "The entire ownership and control of all petroleum in, under or upon any lands to which this section applies shall be vested in the State. This section applies to all land (including land covered by water) which is in Nigeria; under the territorial waters of Nigeria, or forms part of the continental shelf…" (Petroleum Act, 1969)[i]

The implication of the Petroleum Act of 1969 is that individuals, communities, local governments and even states with land containing minerals were denied their rights to the minerals.

Furthermore, in 1978, the Land Use Act was enacted, which states that, "Subject to the provisions of this Act, all land comprised in the territory of each State in the Federation are vested in the Governor of that State and such land shall be held in trust and administered for the use and common benefit of Nigerians in accordance with the provisions of this Act" (Deinduomo, 2009). The implication of this Act is that the Governor of the State is empowered to revoke a customary or statutory right of occupancy, respectively, "for the requirement of the land for mining purposes or pipelines or for any purposes connected therewith" (Section 28:2:c and 28:3:b).

Another important law is the Oil Pipeline Act of 1956, which gives the holder of an oil pipeline license right to enter and take possession of or use a strip of land specified in the license and construct, maintain and operate an oil pipeline and ancillary installations. A holder of such license is obligated to pay compensation to any person whose land or interest in the land is affected by the exercise of the rights under the license (Amaduobogha, 2009). Section 11(5) (c) of the Pipeline Act states that "any person suffering damage as a consequence of any breakage of or leakage from the pipeline or any ancillary installation by a third party or his own default, for any such damage not otherwise made good". What this means is that the burden of proof is placed on the affected person(s) to prove that it was not an act of sabotage in order to be entitled to compensation, which often than not, they are unable to do.

As the country moved back and forth between military and civilian governments, these laws, decrees and acts remained unchanged for the most part. By virtue of these laws, the Federal Government of Nigeria (FGN) is the main stakeholder in the oil industry, in partnership with the foreign oil companies. The local communities where the companies have their operations and who are negatively affected by oil exploration and production activities have no legal stakes in the industry.

3.1.2. Oil Economy: Ownership and Distribution Issues

Agricultural products such as cocoa, cotton, palm oil, groundnut, produced by the three major ethnic regions (Yoruba (West), Hausa/Fulani (North), and Igbo (East)) were the main foreign exchange earner for the Nigeria state (Falola and Heaton, 2008). And before oil was discovered in the country, farming and fishing were the main sources of income and sustenance for those in the southern region. Between 1960 and 1974, more than 50 per cent of the revenue of the country came from the agricultural sector (Okonta and Douglas, 2003). The British colonial administration proposed a derivation principle as a basis for fiscal federalism. The idea behind this principle was that revenue should be shared in proportion to the contribution each region made to the common purse or central government. Thus, derivation became the only criterion used to allocate revenue amongst the regions in the 1948-1949 and 1952-1952 fiscal years (UNDP, 2006). The three major

ethnic regions retained the export revenue from these commodities and paid taxes to the federal government.

However, following commercial oil production, Nigeria's political economy turned into a mono-commodity economy, with the country depending heavily on revenue from oil export. The table below shows the progressive dependence of the Nigerian economy on revenue from oil export.

Table 3

Foreign Exchange Earnings from Oil

Percentage of Revenue From oil	Year
10.75%	1963
32.39%	1966
73.79%	1971
92.60%	1974
97.53%	1982
97.94%	1992
98.22%	1996
95%	2011[ii]

Sources: Updated (CBN, 2001:89; Onayemi, 2002; Federal Ministry of Petroleum Resources, 2011)

The expansion of the oil industry saw the corresponding decline of other sectors of the economy, particularly the agricultural sector, which was a major economic base before oil was discovered (Auty, 1993).

From 1946 to 1960, the derivation principle was maintained at 50 per cent, that is, 50 per cent of proceeds from all export products, including oil, went to the region from where they were produced. However, the 50 per cent derivation formulae changed in many ways during the military and civilian eras. In 1969, the military administration of General Yakubu Gowon promulgated the Petroleum Decree No. 51, which transferred ownership of all petroleum resources in, under or upon any land in Nigeria to the federal government. With increased dependence on revenue from oil, the derivation principle changed as well, with the federal government receiving the bulk of the allocation, which it then distributed to other regions. The Table below shows the changes in the derivation formulae with respect to petroleum proceeds.

Table 4

Oil Revenue Sharing Formula

Year	Oil Producing States (Per cent)	Distributable Pool Amount or Federation Account (Per cent)
1960-67	50	50
1967-69	50	50
1969-71	45	55
1971-75	45 minus offshore proceeds	55 plus offshore proceeds
1975-79	20 minus offshore proceeds	80 plus offshore proceeds
1979-81	-	100
1982-92	1.5	98.5
1992-99	3	97
1999- till date	13	87

Source: Modification of Sagay, 2001.

The Petroleum Act of 1969, which was promulgated under a military administration, has continued to dictate the allocation of oil revenue, effectively truncating the country's attempt at a fiscal federalism. Watts (1998) observed that insofar as oil is state property, then the relationship of oil producers (and citizens in general) with the state becomes an object of debate. The feeling of ownership of the oil persists amongst oil-producing communities in spite of the restrictive laws put in place by the federal government. Obi (2001) asserts that the location of oil in the region of the ethnic minority gives the people leverage provided by 'economic power' to adopt an oil-owning identity and claim special rights. This sense of ownership also influences how oil-producing communities see themselves in relationship to the distribution of oil wealth.

Next, the discussion turns to the Nigerian oil industry from which the cases for this research are drawn.

3.2.   The Nigerian Oil Industry

Commercial quantities of oil was first discovered in Nigeria in 1956, in a community called Oloibiri, in Bayelsa State, in the Niger Delta region; other discoveries soon followed, and in 1958, export commenced. Today, the country produces approximately 2.5 million barrels per day (bpd). According to the Nigeria National Petroleum Company (NNPC), the country has a proven crude oil reserve of 28.2 billion barrels. Most of these reserves are located in the Niger Delta. There are 606 oil fields in the Niger Delta area, 355 are on-shore while the remaining 251 are offshore. [iii].

Nigeria joined the Organisation of Petroleum Exporting Countries (OPEC) in July 1971 to safeguard her interests in the international oil market, and to ensure that consumer nations do not control oil prices by playing one producer against the other. OPEC regulates annual production of members, and by doing so, influences international oil prices through mechanisms such as production quotas and ceilings to which member countries are obliged to adhere (Khan, 1994).

3.2.1. Nigerian National Petroleum Company (NNPC)

In 1971, the Nigerian government established the Nigerian National Oil Corporation (NNOC) by decree in response to OPEC Resolution No. XVI.90 of 1968, which urged all member countries to "acquire 51% of foreign equity interests and to participate more actively in all aspect of oil production" (Khan, 1994: 20). In view of this, the Nigerian Petroleum Decree No. 51 of 1969 vested the entire ownership and control of all petroleum in Nigeria with the state and/ or its agency. In 1977, NNOC was renamed the Nigerian National Petroleum Company (NNPC). At the time oil was discovered in Nigeria in 1956, the country was still under the British Colonial rule, thus, nationals had no access to the oil industry. The country gained independence in 1960, but its citizens lacked the technical expertise and infrastructures to develop the oil reserves. The resolution by OPEC was, therefore, a welcomed development, in that even though the requisite expertise to develop the resource was lacking, owning half of the equity share provided a sense of ownership in the burgeoning industry.

Following the OPEC directives, the NNPC entered into joint venture agreements with the European and U.S. transnational oil companies, which were already carrying out exploration and production activities in the country. The NNPC operates two types of partnerships with the multinational oil companies; joint ventures (JVs) and production sharing contracts (PSCs). In joint ventures, the multinational oil companies, which are the operators, and the NNPC share the operating costs, while in the 'production sharing contracts' the multinational oil companies advance all funds towards running costs (Okeke and Sobotie, 2000). Thus, in theory, the government through the NNPC does not invest in the 'production sharing contracts', but shares in the profits after the companies recoup their capital.

Although recent records of NNPC (2010) show that there are 169 companies registered with it in the oil and gas sector, there are five major transnational oil corporations, which the NNPC has joint venture agreements with. These are Shell Petroleum Development Company, a subsidiary of Shell, a British-Dutch company, Total (French), Nigerian AGIP Oil Company (Italian), Chevron-Texaco (American) and Exxon-Mobil (American). Whilst Shell dominates onshore production, the two America companies, ExxonMobil, and ChevronTexaco, dominate offshore production. These multinational corporations are the technical operators of the joint ventures, that is, they are responsible for all oil exploration and production activities, and take all day-to-day decisions in the management of the joint venture.

The distribution of shares in the joint ventures determines the division of investment in all capital projects carried out by the operating company, including exploration, drilling, construction, environmental improvement, as well as community development activities. The participating

shareholders in the joint venture also jointly own the reserves still in the ground. It is important to point out that even though the Nigerian government through the NNPC has a larger share in the joint venture arrangement, control remains with transnational corporations, that is, the government has no control over the business policies of its joint venture partners (Omoweh, 2005). The government, through the NNPC is more or less simply a financial contributor, bearing costs and receiving profits in relation to its participating share in the joint venture arrangement. It is wholly dependent on the transnational corporations for oil and gas exploration and production.

These joint ventures are mostly for onshore operations. Contracts relating to offshore fields have been structured as "production sharing contracts" in which the government is not a formal partner, like in the joint ventures. Under the PSC, the technical operator covers all exploration and development costs and pays tax and royalties to the government only when it starts to produce; the contractor has title to oil produced, but not to oil in the ground. New prospecting licenses and mining leases granted in the deep-water fields off the Nigerian coast have been on these terms.

In the next session, the oil-producing region, where the oil companies have their operations, is briefly described to provide some background for understanding the findings discussed in subsequent chapters.

3.3. The Oil Producing Region

The Niger Delta region, which produces the oil wealth that accounts for the bulk of Nigeria's foreign exchange, contains the world's third largest wetlands, and the largest in Africa, with a total land area of about 75,000 square kilometres (NDDC, 2010). It is composed of four main ecological zones – coastal barrier islands, mangroves, fresh water swamp forests, and lowland rainforests – whose boundaries vary according to the patterns of seasonal flooding. The mangrove forest of Nigeria is the third largest in the world and the largest in Africa; over 60 per cent of this mangrove, or 6,000 square kilometres, is found in the Niger Delta (ERA, 1998). The region is described as the most difficult in Nigeria due to its waterlogged, flood-prone nature of the terrain. Through the years different governments, mostly headed by indigenes of the northern parts of the country have often attributed the lack of development in the region to the 'complexities' of its physical landscape. The Niger Delta region incorporates nine (oil producing) states in the country: Akwa Ibom, Cross River, Rivers, Edo, Delta, Bayelsa, Imo, Abia and Ondo. Delta and Rivers states are the dominant oil producers, producing approximately 75 per cent of Nigeria's petroleum (World Bank 1995). See Map of the Niger Delta region in Figure 11 below.

Figure 11

Map of the Niger Delta Region
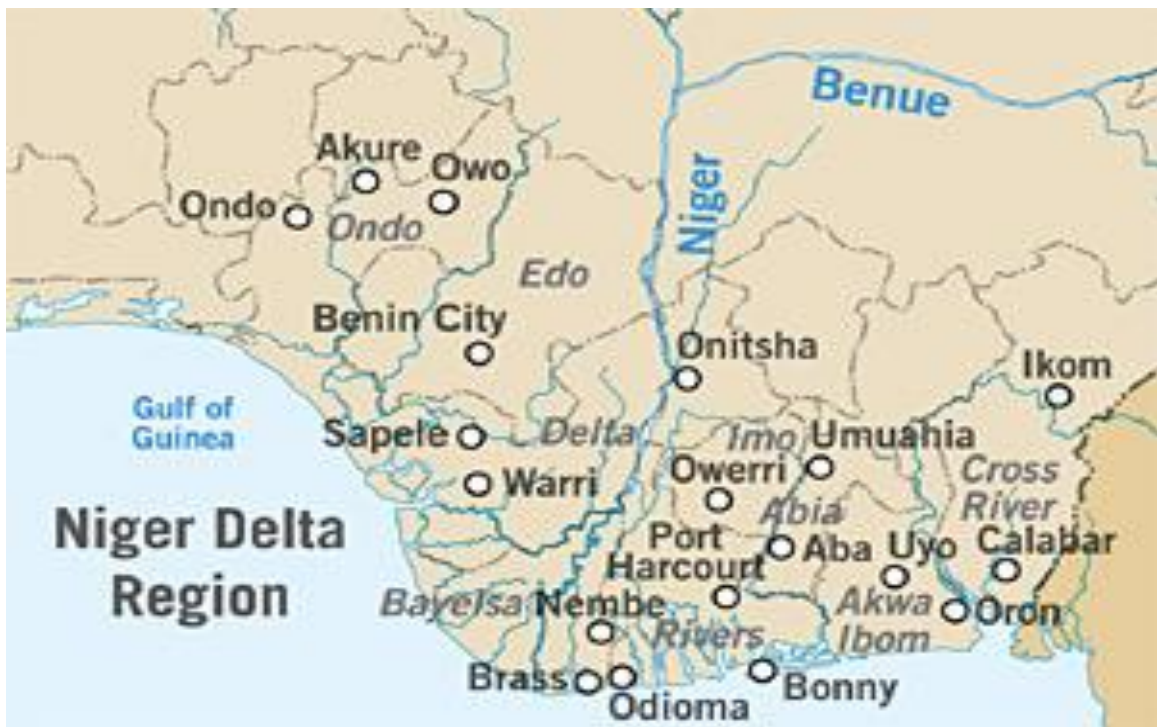
The region has an estimated population of 27 million people, 75% of which live in the rural areas, with the rest in urban areas (NDDC, 2010). The socio-economic reality of the Niger Delta region is a paradox of poverty amidst plenty. The high incidence of poverty is in sharp contrast to the region's critical importance to the Nigerian economy. Oil from the region is said to have generated an estimated $600 billion since the 1960s (Wurthmann, 2006). According to the United Nations Development Programme, the Niger Delta region suffers from "administrative neglect, crumbling social infrastructure and services, high unemployment, social deprivation, abject poverty, filth and squalor, and endemic conflict" (UNDP, 2006).

Having provided the necessary backdrop for the research, the discussion now turns to the research methodology employed in the investigations of the research problem.

CHAPTER FOUR

RESEARCH METHODOLOGY

"Research methodologies are merely tools that are designed to aid our understanding of the world." - Onwuegbuzie and Leech (2005, p. 377)

4. Introduction

This chapter discusses the research methodology employed in this research. It begins by outlining the philosophical implications of attempting to bridge the gap between rigour and relevance in management research. It then presents the relevant epistemological and ontological issues involved in empirical research. The position taken in this study is clarified and how the research strategy employed was derived from the philosophical position taken is discussed. A discussion of the case study approach adopted is then presented. Following this, a brief description of the companies used for the purpose of the case study is provided. Although the case companies are the focus of this study, however, in light of the research aim and objectives, it was pertinent to incorporate the views of stakeholders from local communities that affected by the operations of the oil companies, and those of nongovernmental organisations (NGOs) that are interested in the activities of the oil companies, and the impacts on local communities. Thus, the role of communities and nongovernmental organisations (NGOs) as stakeholders in the industry is also discussed. This is then followed by a detailed discussion of the research methods employed, and the ethical issues encountered. The chapter concludes with a brief summary.

4.1.   Rigour and Relevance in Management Study

Biglan's (1973) original mapping of academic fields of study produced two substantive dimensions (hard versus soft, pure versus applied), relevant to both life and non-life sciences. Hard versus soft denotes "...the degree to which a paradigm exists" (Biglan, 1973, p.201). The extent to which a 'body of theory is subscribed to by all members of the field' (p.201) dictates the degree of 'hardness' associated with a discipline. Bercher (1989) argues that the first two of these contrasts, that is, hard versus soft, offers insight into what he described as the 'cognitive dimensions of disciplines'. According to Bercher (1989), paradigmatic agreement in disciplines serve an important coordinating role, aiding in the definition of key research questions and the specification of appropriate epistemological orientations. 'Providing a consistent account of most of the phenomena of interest in the area' (p.10), helps in unifying the discipline, contributing to consensus and defining disciplinary boundaries. Single disciplines in this category, based on Biglan's original study, include the natural sciences, engineering and agriculture. Traditionally 'soft' disciplines are the humanities and education, as well as the social sciences and business areas, and these are found not to share the unitary paradigm.

The most striking feature of management research is that it does not operate under a single agreed ontological or epistemological paradigm; it is a heterogeneous and fragmented field (Tsoukas, 1994, Whitley, 1984), utilising knowledge and research methods often drawn from associated disciplines in the social sciences. However, in attempting to satisfy the call for rigour, management studies have leaned heavily towards modelling tools akin to those presented in the exact sciences. Berry (1995) argues that the use of the scientific model as a guide for practice in management studies has resulted in a search for "quantifiable, and universal laws to formulate standardised rules" (p.104); noting that this is contrary to the realities of practical management, which deals with fast-paced events, and subjective reactions.

The pursuits of general laws have resulted in theoreticians using representative statistical samples to test hypotheses. In the field of management, analysis has frequently been based on official data (e.g. annual reports, publicly available statistics) or information gathered through questionnaires. In most cases the researchers remain external to the organisation he or she is studying, and is forced to build on whatever image the organisation wishes to project (Berry, 1995). Thus, the material available to the researcher often not only fails to explain what is really going on, but also actually conceals it (Brunsson, 1989). Berry (1995) argued that if theory is to be made more relevant to the real world, new methods should be employed for formulating, validating and using knowledge. Management research is concerned not only with 'knowing what', but also goes beyond this to consider questions associated with 'knowing how' (Tranfield and Starkey, 1998).

Further, management research is concerned with understanding the organisation and arrangement of resources to deliver optimal performance and social cohesion (Tranfield and Starkey, 1998). The conventional method involves applying general theories to a specific case; in contrast, the 'Socratic' approach which rejects theoretical generalisation in favour of the specific and the relative; that is, factors specific to the contingencies of a given situation, and relative to the personal attitudes of the people involved (Berry, 1995). Researchers following this method use theories as an aid to understanding unique situations. Management theories are not susceptible to the same kind of proof as those involved in the exact sciences (Berry, 1995). Tranfield and Starkey, (1998: 346) argue that the key distinguishable feature of research output that results from management research is that it directly addresses the question "what are the implications for management?" Thus in their view, the essence of management research in terms of its focal problems, is the methods and knowledge stock within which each problem needs to be framed, produced and disseminated within a context of application (Tranfield and Starkey, 1998). By this of course, Tranfield and Starkey (1998) are making the case that applied research, which is context-based, should form the foundation of management research.

In furtherance of the debate into bridging the gap between management theory and practice, Gibbon et al (1994) contrasted a traditional method of knowledge production, 'Mode 1', with an alternative method 'Mode 2'. Mode 1 follows the more traditional Model, whereby knowledge production occurs largely as a result of an academic agenda, predominantly driven through and categorised by associated adjacent disciplines responsible for further developing knowledge stocks which are largely held by universities. In Mode 1 research there is a 'distinction between what is fundamental and what is applied; this implies that an operational distinction between a theoretical core and other areas of knowledge, such as the engineering sciences exist, where theoretical insights are translated into applications' (Gibbons et al, 1994: 19). In this model, dissemination occurs downstream of knowledge production, and little attention is given to the exploitation by practitioners which is purported to occur, if at all, through a series of protracted time frames, which facilitate a 'trickle up' to practice. The key consumer of the Mode 1 is the academic community, and usually this group is expected to determine the criteria for rigour and relevance (Tranfield and Starkey, 1998). Mode 2 on the other hand offers a very different model of knowledge-production. The Mode 2 system results in immediate or short time to market dissemination and the exploitation of that knowledge is produced in the context of application and "...characterised by a constant flow back and forth between the fundamental and the applied, between the theoretical and the practical. Typically, discovery occurs in contexts where knowledge is developed for, and put to use, while results – which would have been traditionally characterised as applied – fuel further theoretical advances" (Gibbons et al, 1994:19).

Pettigrew (1995) explores the challenges facing management research in meeting the 'double hurdle' of its 'embeddedness in the social sciences and the worlds of policy and practice' (p. 25). The applied 'property' of management research, which draws attention to the need to focus on improving practice as a key output, is well served by adhering to a Mode 2 method. By setting and solving problems in context, as well as reducing lead times for dissemination and exploitation, Mode 2 offers management research a new and valuable model of a knowledge-production system, having the potential to simultaneously satisfy multiple stakeholder requirements for knowledge at the point of production. Further, Gibbons et al (1994) points out that 'it is essential that enquiry be guided by specifiable consensus as to appropriate cognitive and social practice' (p. 4). In their view, trans-disciplinarity is a key product in providing such consensus. This has four features: Firstly, frameworks are generated and developed 'in the context of application' and by a team of interested parties, which usually includes the potential users of the knowledge produced. This is in sharp contrast to the Mode 1 Model, whereby frameworks are developed first and applied later by a different set of practitioners. In Mode 2 knowledge production "solutions do not arise from knowledge that already exists ... Although elements of existing knowledge must have entered into

it, (and) the theoretical consensus, once attained, cannot easily be reduced to disciplinary parts" (Gibbons et al, 1994: 5).

Secondly, 'because solutions comprise both empirical and theoretical components, they are undoubtedly contributions to knowledge, though not necessarily disciplinary knowledge' (Gibbons et al, 1994: 5). Knowledge production in this trans-disciplinary world emerges incrementally, developing its own theoretical structures, which by definition do not follow any given disciplinary map. This is in complete antithesis to the prevailing model of accumulation in 'normal' science. Thirdly, diffusion of knowledge occurs initially to those participating in the knowledge production process, which in Mode 2 includes practitioners; diffusion into practice therefore tends to occur at the point of discovery rather than at a later point in time. Academic diffusion then follows through the normal channels of conference papers and journal articles, creating the impression of academic knowledge lagging behind practice (Gibbons et al, 1994).

Fourth, the trans-disciplinarity is dynamic; Gibbons et al (1994: 5) described it as '... problem-solving capability on the move'. However, because of the context specific nature of the problem solving, it is difficult to predict a further use for the knowledge generated in Mode 2 system of knowledge production. Consequently, replication becomes problematic as a key test of veracity, as variation in sites of knowledge production does not allow producers to return to them for validation. Discoveries in Mode 1 build upon others in a linear fashion, but in Mode 2, this is not the case (Tranfield and Starkey, 1998). In light of this, Tranfield and Starkey (1998) in their paper, contend that management research should adopt a dual approach to knowledge production that is both theory-sensitive and practice-led. Although Mode 2 knowledge production systems are heavily dependent on action or applied research, it is said to offer a different, but potentially more appropriate model by which to forge a link between theory and practice.

While Mode 2 appears to fits the DBA (Doctorate of Business Administration) programme, the full time nature of this present study did not allow for the integration of all the components of this mode of knowledge production. However, the researcher aimed to produce a piece of research to contribute to the body of knowledge, as well as inform practice by engaging in theory-driven, but practice-sensitive research. As noted earlier, in the Mode 2 system, research problems are for the most part framed in the context of their application, and research activity is driven by trans-disciplinary concerns at the level of both theory and practice; this is not the case in regards to this study as research questions applied theoretical underpinnings that were proposed to drive the study. In the pure application of Mode 2, research questions are developed within the context of the study and are therefore based on specifically identified management problems. Although this present study is inclined towards the Mode 2 knowledge production approach, the research questions were, however, derived from gaps identified in the stakeholder management literature, in

line with the theory-led but practice-sensitive approach adopted. By investigating the notion of stakeholder management from the perspective of practitioners and stakeholders, this current study seeks to bridge the gap between theory and practice. The theory-led but practice-sensitive approach thus aims to enhance our understanding of stakeholder management. Freeman (1984) has argued that stakeholder management is "about how organisations manage relationships with specific stakeholder groups in an action-oriented way" (p: 53). Thus, in seeking to understand stakeholder management, the focus is on the behaviour of firms, that is, the way they respond to or conduct themselves with specific stakeholders. By bringing theory to bear on practice, this approach allows for gaps in the theory to be filled, thereby adding to the body of knowledge, whilst simultaneously providing practical frameworks that may be relevant to practitioners.

In summary, relevant research is work, which makes a contribution to changing a situation in such a way that that situation is improved (Whitley, 1984). Practice-oriented research has, therefore, to demonstrate its ability to affect social practices if it is to be successful. Thus practice oriented management research seeks to improve managerial practices by producing knowledge which identifies why stated management problems arose, developed, and became socially reproduced, and then indicates how they can be resolved (Whitley, 1984). Since practitioners work with specific problems in specific situations, for them, knowledge must be customised, connected to experience and directed to the structure and dynamics of particular situations. Knowledge, thus, becomes most relevant when it is context specific (Aram and Salipante, 2003). Academic knowledge, on the other hand, involves the quest for general or 'covering' laws and principles concerning the fundamental nature of things; the more context free, the more general, the stronger the theory is said to be. The researcher-practitioner gap, thus, consists of an apparent tension between rigour and relevance, between the particular and the general. The challenge of narrowing the gap consists of generating knowledge that mitigates the apparent tension between these two criteria (Aram and Silapante, 2003).

Tranfield and Starkey (1998) conclude that the problems addressed by management research should evolve out of the interaction between the world of theory and the world of practice, rather than out one of these in isolation. Additionally, if the relevant gap in management research is to be narrowed, researchers must identify and adopt processes of inquiry that simultaneously achieve high rigour and high relevance (Aram and Silapante, 2003). Inquiry that attains both rigour and relevance can be found in approaches to knowledge that involve a reasoned relationship between the particular and the general (Aram and Silapante, 2003). Management studies are undertaken for a variety of objectives and audiences. On the one hand, research goals and orientation may be primarily intellectual and explanatory, so that the main concern is to understand and explain managerial practices and activities as part of a general phenomenon. The basic focus here is to

provide a better explanation of theoretically significant phenomena from the point of view of its practical implications in order to contribute to the body of knowledge.

The foregoing discussions imply that the rigour and relevance criteria in management research have epistemological and ontological differences, which emphasise contextual and general knowledge. The stark differences in assumptions about the nature of the world and the nature of knowledge distinguishes these approaches, and the quest for closing the rigour-relevance gap is an attempt to transcend these competing assumptions. This research attempts to bridge this gap by adopting a research philosophy that focuses not on the differences between strategies of inquiry or contextual and general knowledge, but on highlighting their similarities; it proposes building on the strengths of each strategy of inquiry. As a consequence of this debate, the so-called epistemological and ontological issues that have served to drive a wedge amongst researchers in the social sciences are discussed here. The case is made in favour of pragmatism, a research philosophy which potentially provides the tools necessary to bridge the gap between rigour and relevance in management research.

4.2. Research Philosophy: Ontological and Epistemological Issues

According to Burrell and Morgan (1979), "all social scientists approach their subject via explicit or implicit assumptions about the nature of the social world and the way in which it may be investigated." The most significant of these assumptions are those relating to ontology and epistemology. Ontology is concerned with questions about the nature of reality: "social scientists, for example, are faced with a basic ontological question: … whether 'reality' is a given 'out there' in the world, or the product of one's mind" (Burrell and Morgan, 1979). Epistemology is concerned with questions about how and what is possible to know; particularly how to justify claims to knowledge. For example, is the nature of knowledge "hard, real and capable of being transmitted in a tangible form" or is it "of a softer, more subjective kind, based on experience and insight of a unique and essentially personal nature?" In the social and behavioral sciences field, epistemological debates are divided into two main camps, the positivists and the interpretivists (Onwuegbuzie and Leech, 2005). Proponents of both camps maintain the view that there is a dichotomy between quantitative and qualitative research; they are referred to as purists (Rossman and Wilson, 1985). Purists believe that an essential distinction exists between quantitative and qualitative research methods with respect to ontology, epistemology, axiology, rhetoric, logic, generalisations and causal linkages (Johnson and Onwuegbuzie, 2004).

Rossman and Wilson (1985) have observed that three major schools of thought have evolved from the quantitative-qualitative divide, namely: *purist*, *situationalist* and *pragmatist*. They identify the differences between these three perspectives as related to the extent to which each camp believes

that quantitative and qualitative approaches co-exist and can be combined. Rossman and Wilson (1985) conceptualised these three perspectives as lying on a continuum, with purists and pragmatists at opposite ends, and situationalists somewhere in between.

For purists, the assumptions associated with both paradigms are incompatible, specifically regarding how the world is viewed and what is important to know. For example, purists, such as Smith (1983) and Smith and Heshusius (1986) contend that quantitative and qualitative approaches cannot and should not be mixed. They advocate mono-method studies. Situationalists maintain the mono-method stance of the purists, and hold the view that both methods have value. They, however, believe that certain research questions are better addressed through quantitative approaches, and others by qualitative methods. Thus, whilst representing very different orientations, the two approaches are viewed as being potentially 'complementary' (Vidich and Shapiro, 1955).

Pragmatists on the hand view the qualitative and quantitative divide as a false dichotomy (Newman and Benz, 1998). They suggest that quantitative methods are not necessarily positivist, nor are qualitative techniques necessarily hermeneutic (Cook and Reichardt, 1979, Daft, 1983, Miller and Fredericks, 1991, Sieber, 1973). Pragmatists thus recommend routinely integrating the two methods within a single study (Creswell, 2009); because, as Sieber (1973) pointed out, both approaches have inherent strengths and weaknesses and so researchers should ideally utilise the strengths of both to better understand a social phenomenon. Therefore, rather than approaching a research problem from fixed epistemological positions, researchers holding this worldview, approach the problem with their own research questions and then select the most appropriate methods to answer them (Tashakkori and Teddlie, 2003). In addition, Miles and Huberman, (1994), observed that "epistemological purity doesn't get research done" (p.21).

This research adopts a pragmatic worldview, and the research strategy employed reflects this position. Biesta (2010`) pointed out, "Pragmatism should not be understood as a philosophical position among others, but rather as a set of philosophical tools that can be used to address problems" (p. 97). Table 5 below highlights some important characteristics of pragmatism.

Table 5

<div align="center">Characteristics of Pragmatism</div>

1	Recognises the existence and importance of the natural or physical world as well as the emergent social and psychological world including, language, culture, human institutions, and subjective thoughts
2	Views current truth, meaning, and knowledge as tentative and changing over time. Thus data obtained on a daily basis in research should be viewed as provisional truths.
3	Offers a 'pragmatic method' for solving traditional philosophical dualisms as well as for making methodological choices
4	Prefers action to philosophising (pragmatism is, in a sense, an anti-philosophy)
5	Endorses practical theory (i.e. theory that informs effective practice; praxis)
6	Places a high regard on the reality of and influence of the inner world of human experience on actions
7	Knowledge is viewed as both constructed and based on the reality of the world we experience and live in

Source: Adapted from Johnson and Onwuegbuzie (2004)

4.3.   Approach to Inquiry: Mixed Methods Research

A mixed methods research strategy is employed in line with the pragmatic worldview adopted in this study. There is a broad consensus within the field of mixed methods research that pragmatism is the rationale informing a mixed methods approach (Biesta, 2010`, Creswell, 2009, Onwuegbuzie and Leech, 2005, Tashakkori and Teddlie, 2010). Thus rather than starting from a particular philosophical assumption, the choice of a mixed approach is driven by the research questions it seeks to answer (Johnson and Owuegbuzie, 2004; Tashakkori and Teddlie, 1998). However, what is even more important is that the wider purpose of the research should enable the framing of research questions (Biesta, 2010).

Mixed methods research has been defined in a number of ways; Green et al (1989) defined it as those research designs that include at least one quantitative method (designed to collect numbers) and one qualitative method (designed to collect words). For their part, Tashakkori and Teddlie (1998) refer to mixed methods research as that which combines qualitative and quantitative approaches into the research methodology of a single study. Johnson and Onwuegbuzie (2004) view mixed methods research as the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study. This research adopts Creswell et al.'s (2003) definition of mixed methods research: "the collection or analysis of both quantitative and qualitative data in a single study in which data are collected concurrently or sequentially, are given priority and involve the integration of the data at one or more stages in the process of the research"(p. 212).

The mixed methods approach originally grew out of the "triangulation of methods" movement. The main objective of triangulation is to confirm the results of a study by combining qualitative and quantitative methods (Bouchard, 1976, Campbell and Fiske, 1959, Jike, 1979, Smith, 1975,

Webb et al., 1966). The mixed methods approach has, however, grown beyond the goals of triangulation (confirming research results by using different methods of data sets), to use multiple methods to gain a better understanding (comprehension) of a phenomenon, discover new perspectives or develop new tools of measurement (Molina Azorin and Cameron, 2010). Thus, the two main goals when employing a mixed methods research strategy are (1) confirmation of research results, and (2) comprehension of research results (Shih, 1998, Thurmond, 2001).

The mixed methods approach is becoming increasingly popular in the fields of sociology, psychology, education and health sciences (Molina Azorin and Cameron, 2010). Many authors have called for the integration of quantitative and qualitative research in these fields (Green et al, 1989; Tashakkori and Teddlie, 2003). In the business and management field, mixed methods research has made some inroads into the study of organisational behaviour (Greenberg, 2007), and organisational strategy (Boyd et al., 2005, Phelan et al., 2002), however, Molina-Azorin and Cameron (2010) observe that the use of quantitative approaches has tended to dominate strategy.

4.3.1. Mixed Methods Research Design

Four factors influence mixed methods designs: timing, weighting, mixing, and theorising (Creswell, 2009, Morgan, 1998, Morse, 2003, Tashakkori and Teddlie, 1998). Timing refers to the sequence a researcher employs for the collection of quantitative and qualitative data. In mixed methods research, quantitative and qualitative data may be collected at the same time (concurrent, simultaneous or parallel design), or in a sequence (sequential or two-phase design). The former design seeks to compare quantitative and qualitative data with the search for congruent findings. On the other hand, when quantitative and qualitative data is collected sequentially or in phases, the aim is typically to use the findings of one approach to facilitate data collection in the second approach, or to use the findings of one approach to build on the other (Creswell, 2009). Sequential mixed methods design thus enables facilitation and complementarity.

For the sequential approach, the sequence of the phases is said to relate to the objective being sought by the researcher; for example, when qualitative data collection and analysis precedes quantitative data collection, it is believed that the researcher's intent is to first explore the problem under investigation and then follow up with quantitative studies that will cover a larger sample so that results might be inferred to a larger population. Conversely, when quantitative data collection and analysis precedes qualitative data collection, typically, the intent is to test variables with a large sample and then carry out a more in-depth exploration of a few cases by employing qualitative methods (Creswell, 2009, Molina Azorin and Cameron, 2010). This of course is a narrow conception of how researchers use sequential design. For example, in this current study, the researcher employed a sequential design in which quantitative data was collected from a small sample first, with the following objectives in mind: (1) to uncover the statistical relationship

amongst specific variables, (2) to discover differences amongst groups, and (3) to use the initial findings to identify and purposively select participants for the qualitative study. The quantitative study was thus aimed at facilitating and complementing the qualitative study.

Regarding the second factor, weighting, researchers who employ mixed methods strategy, may give equal priority to both quantitative and the qualitative studies, or choose to put more weight on either the quantitative or the qualitative study (Creswell, 2009). This emphasis may be informed by what the researcher desires to emphasise in the study, the interests of the researcher, practical constraints in the data collection process, the need to understand one form of data before proceeding to the next, or target audience preference (Molina Azorin and Cameron, 2010; Creswell, 2009). In this research, priority or more weight is given to the qualitative studies because they offer greater insight into the research problem. The third factor, mixing, has to do with the stages at which the researcher mixes the quantitative and qualitative studies, and how the mixing of data occurs. Mixing of quantitative and qualitative studies might transpire at different stages: data collection, data analysis, interpretation, or in all three stages (Creswell, 2009). In this research, mixing of the quantitative and qualitative studies occurred at the data analysis and interpretation stages, with the quantitative results and qualitative findings complementing each other and enabling triangulation.

Creswell and Plano Clark (2007) identified three ways that blending data can be achieved: connecting, integrating and embedding. Connecting refers to when a mixture of quantitative and qualitative data is connected by a data analysis in the first phase of the research and data collection in the second phase of the research. Integrating is when a researcher collects both quantitative and qualitative data concurrently and integrates or merges the two databases by transforming qualitative themes into counts and comparing these counts with the more descriptive quantitative data. The mixing therefore consists of integrating the two databases by merging the two forms of data. Finally, embedding is a mixing strategy in which a researcher's primary aim is to collect one form of data (e.g. quantitative) and use the other form (qualitative) to provide supporting information. In this strategy neither connecting nor integrating across phases is utilised; rather, the researcher embeds a secondary data form within a large primary study (Creswell and Plano, 2007). In this study, collection of the qualitative data was facilitated through the initial analysis of quantitative data; that is, from the quantitative data, the researcher was able to identify and purposively select participants for the case study companies investigated using the qualitative study (Creswell, 2009: 208).

The final factor, theorising, is the decision to implicitly or explicitly employ a theoretical perspective to guide the research design. Researchers, typically approach research problems with some form of theoretical undertone, frameworks or expectations, and in a mixed method research

design, these might be made explicit or be implicit (Creswell, 2009). When theories are explicitly used, they act as the orienting lens, which shapes the types of research questions asked, who participates in the study and how data is collected. This research is theory driven, and this has a large influence on the research questions posed, the choice of participants, and the data collection strategy.

The combination of these four factors has produced a number of mixed methods designs. Morse (2003) developed notations, "+" to denote 'concurrent/simultaneous design', and an arrow "→" to denote a "sequence design". And the research method that was given more weight or priority appears in capital letters (e.g. QUAN, QUAL). The following four groups and nine types of mixed methods designs have been formulated (Johnson and Onwuegbuzie, 2004):

1. Equivalent status/simultaneous design: QUAL +QUAN
2. Equivalent state/sequential designs: QUAL→QUAN; QUAN→QUAL
3. Dominant/simultaneous designs: QUAL + quan; QUAN + qual
4. Dominant/sequential designs: qual→QUAN; QUAL→quan; quan→QUAL; QUAN→qual

Researchers employing the mixed methods strategy are encouraged to develop designs that suit their research purpose (Tashakkori and Teddlie, 2010). Figure 13 below is a visual Model of the mixed methods design developed by the author and deployed in this research.

Figure 12

Sequential Exploratory Mixed Methods Design
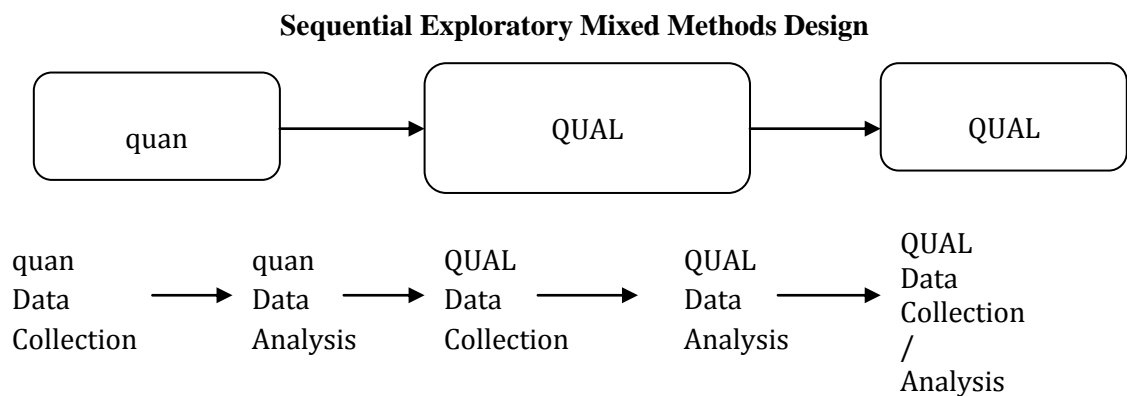
The arrow between the two boxes illustrates that the design is sequential; the quantitative study was undertaken first, followed by the qualitative studies. Also the capitalisation of qualitative indicates that more weight is given to the qualitative studies. Data was collected in three phases, in the first phase, quantitative data was collected from the case study companies via closed questionnaire, in the second phase, qualitative data was collected from the case study companies and other participants via semi-structured interviews, and finally in the third phase, qualitative data

was collected from the case study companies and other participants by means of individual and focus group interviews.

4.3.2. Advantages of Mixed Methods Research

The main benefits of mixed methods strategy is that it combines the use of quantitative and qualitative approaches and may provide a better understanding of research problems and complex phenomenon than either approach when used independently (Creswell and Plano Clark, 2007). Thus, while quantitative research seeks explanation by identifying causes, factors, or correlations, and through these, generates knowledge that can drive change; qualitative research on the other hand seeks to enhance understanding through the articulation of intentions and reasons for action (Biesta, 2010). Mixed methods research, which is a combination of these two research approaches, allows one to view these two approaches as two sides of a coin, different in many ways, but designed to achieve a common purpose, that is, contribution to knowledge and practice

In addition Niglas (2004) points out that, if different methods are employed to investigate a phenomenon of interest the results may provide mutual confirmation, which could then increase a researcher's confidence that results are valid. Green et al (1989) further adds that, mixed methods enable complementarity (seeking elaboration, illustration, enhancement, and clarification of the results of one method with the findings from the other method), initiation (discovering paradoxes and contradictions that lead to the research questions being reframed), and expansion (seeking to extend the breadth and range of inquiry by using different methods for different inquiry components). In addition, Flick (2006) points out that combining multiple methodological practices, empirical materials, perspectives, and observers in a single study, is a strategy that adds rigor, breadth, complexity, richness and depth to inquiry.

4.3.3. Disadvantages of Mixed Methods Research

Creswell and Plano Clark (2007), however, note that conducting mixed methods research is not easy. This research strategy is perceived as requiring more work and financial resources, and tends to take more time. Increased demand for time is believed to arise from the time it takes to implement both aspects of the study (Niglas, 2004). Furthermore, mixed methods research requires that researchers develop a broader set of expertise that spans both quantitative and qualitative research (Molina Azorin and Cameron, 2010). The three-phase data collection process employed in this study required more work, times, and resources than the author envisaged. The author had to make two trips from the UK to Nigeria for Projects Two and Three. Although the acquisition of quantitative research skills was a learning curve, it was also a worthwhile experience.

4.4.   Case Study Approach

A case study approach was employed in this study because of the research problem under investigation, as well as the exploratory nature of the research. This approach allowed for an in-depth analysis and understanding of stakeholder management practices in the companies being focused on (Creswell, 2009, Yin, 2009). According to Stake (2005), case study is not a methodological choice, but a choice of what is to be studied, "by whatever methods, we choose to study the case. We could study it analytically, or holistically, entirely by repeated measures or hermeneutically, organically or culturally, and by mixed methods – but we concentrate, at least for the time being, on the case" (p. 433). Yin (2003) defines a case study as "... an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident" (p.13). In other words, this approach can enrich our understanding of a phenomenon, particularly when it is studied in a real-life context. The case study strategy provides an opportunity for researchers to explore many themes and subjects by targeting a much more focused range of people, organisations or contexts (Gray, 2009). It enriches our understanding of individuals, groups, organisational, social, political, and other related phenomenon (Yin, 2009). Case studies can prove invaluable in adding to understanding, extending experiences and increasing conviction about subjects of interest (Stake, 2000). Yin (1994) suggested that the kinds of questions that are best addressed by case research are 'how' and 'why' questions. The overarching aim of this research was to determine how multinational oil companies operating in the Nigerian oil and gas industry manage their relationships with those local communities that are affected by their operations. Also because the cases (oil companies) are embedded in a complex political, economic and social contexts, which, have shaped and influenced the way they do business and relate with stakeholders in communities, this strategy allows for focused examination of stakeholder management within this context (Stake, 2005).

Nevertheless, Yin (2003), who is one of the authorities on case study research, makes clear that the approach has not been universally accepted by researchers as reliable, objective and legitimate. One problem noted is that it is often difficult to generalise from a specific case; although in defence of case studies, Yin (2003) asserts that, like experiments, they are generalisable to the theoretical propositions rather than to populations. In this sense, the case study, like the experiment, does not represent a 'sample' because the goal is to expand and generalise theories (analytical generalisation) and not to enumerate frequencies (statistical generalisation). The case study approach in addition addresses the issue of relevance in management research, emphasising context. Although the specificity of the context may limit its generalisability, the issues investigated in the focal industry may to some extent resonate with similar industries in different contexts. Thus, in the same way that most scientific enquiries have to be replicated by multiple

examples of the experiments, case studies too can be based upon multiple cases investigating the same issue or phenomenon (Yin, 2003). Gummesson (2000) supports this view, asserting that, even in medicine, doctor's skills are often built up from knowledge based on many individual cases. Moreover, the mixed methods research strategy employed in this research provides some flexibility in terms of generalisation.

A unique strength of the case study approach is its ability to incorporate a variety of evidence, for example, documents, interviews, and observation. Multiple sources of data help to address the issue of construct validity as these provide multiple measures of the same construct (Yin, 2009). Multiple sources of evidence also allow for data to converge in a triangulating fashion. Although there seems to be a tendency to view case studies as exclusively qualitative, this is not necessarily the case (Bryman, 2008). Some case study research goes beyond being a form of qualitative research, by collecting a mix of qualitative and quantitative evidence (Yin, 2009) as shown in the research reported in this thesis. Furthermore, case studies allow for the generation of multiple perspectives either through multiple data collection methods or through the creation of multiple accounts from a single method (Lewis, 2003). The integration and contrasting of different perspectives can establish a rich and detailed understanding of a context (Gary, 2009). Due to the fact that the case study approach requires the collection of multiple sources of data, prior theoretical frameworks are necessary to help direct the data collection and analysis process (Gray, 2009). The mixed methods research strategy employed in this research further strengthens the case study approach adopted.

4.4.1. Case Selection Criteria

The term 'case' associates the case study with a specific location, such as a community or an organisation (Bryman, 2008). Achieving the greatest understanding of the phenomenon under study depends on selecting the case well (Patton, 1990). The Nigerian oil and gas industry in general provides a rich context for learning about stakeholder management. The industry is situated in a complex socio-economic and political environment, which influences the business policies and practices of the oil companies operating in that industry; in turn impacting on the local communities in the Niger Delta region where the oil companies have their operations.

The oil industry in general and the oil companies selected for the study in particular, provide an opportunity to learn about the practical implications of the stakeholder phenomena as proposed by Freeman (1984). As pointed out by Stake (2005), cases should be chosen to provide the maximum opportunity to learn about a phenomenon; thus potential for learning is an important criterion. The Nigerian oil and gas industry was selected with Stake's assertion in mind. The socio-economic and political environment of Nigeria, which was discussed in Chapter Three, is a complex context in which the case study companies are embedded.

4.4.2. Case Sites Selection

The case sites selection process is briefly discussed in this section, including some brief background information about the case study companies. Stake (2005) stated that accessibility should be given priority in the consideration of cases. Accessibility to the oil companies and participants was an important criterion in the selection of case sites. In order to conduct academic research in the Nigerian oil and gas industry, researchers must seek and receive official approval from the Department of Petroleum Resources (DPR), which is the official gatekeeper of the industry. Without a formal written letter of approval from the DPR, oil companies will not participate in a study. The researcher was thus required to submit a formal application requesting access to the oil companies of interest to the DPR; a copy of the application submitted by the researcher can be found in Appendix 14.

The official letter(s) from the DPR were, therefore, the first point of entry into the industry for research purposes, after which, the researcher had to determine ways to gain physical access into the companies and to identify willing participants. The researcher requested access to the five major multinational oil companies operating in the area: Shell Petroleum Development Company (SPDC), Total Exploration and Production Nigeria Ltd (TEPNG), Chevron Nigeria, Statoil (Nigeria) Ltd, and Nigerian Agip Oil Company (AGIP), and received official letters of approval from all the DPR. The decision to request access to all five major multinational oil companies was informed by the consideration that gaining physical access might be a challenge. When the researcher requested access to these five companies, the DPR official initially informed the researcher that official access would be granted for only two companies; the reason given was that there was not much difference in the issues the oil companies had to deal with in terms of community relations. The researcher explained to the DPR official that due to possible difficulties in gaining physical access into the companies of interest, it was necessary to have official access to all of them to allow for flexibility. The possibility of not gaining physical access into the proposed two companies was pointed out to the DPR official, who later conceded and provided letters for all five companies. However, as suspected, the researcher was only able to gain physical access to three of the five companies.

Physical access into the oil companies was particularly challenging owing to the security concerns of the companies, following numerous incidences involving the kidnapping of oil company workers in the recent past. The researcher was able to gain access into Shell, Total, and AGIP owing to recommendations by acquaintances who were employees at those companies. The researcher did not have any such personal contacts at Chevron and Statoil, and so did not succeed in gaining access into the companies. Case selection was thus informed by accessibility into the

case sites. A brief background to the case study companies: SPDC, Total and AGIP, is presented in the next section.

4.4.3.   Background on the Case Study Companies

4.4.3.1. Shell Petroleum Development Company (SPDC)

Shell Petroleum Development Company (SPDC) is a subsidiary of Royal Dutch Shell Plc. Royal Dutch Shell Plc is the largest energy company in the world, producing around 3.1 million barrels of oil per day; it is also the second largest company in the world in terms of revenue (Fortune, 2010). Royal Dutch Shell is geographically and functionally diverse, and highly decentralised, with operations in over 90 countries. The company began exploring for oil in Nigeria in 1937, when it was known as Shell-D'Arcy, being jointly owned by the oil conglomerate D'Arcy Exploration Company and the British colonial administration (Wolpe, 1974). Oil prospecting activities were interrupted in 1941 because of the Second World War, but resumed five years later under the new name, the Shell-BP Development Company. It was the Shell-BP joint venture that made the first commercial volume oil find in Oloibiri, an Ijaw village in Bayelsa State in 1956. In August 1979, the Nigerian government appropriated BP's share equity in the Shell-BP joint venture (Khan, 1996).

Royal Dutch Shell also has three other subsidiary oil and gas production companies in Nigeria; Shell Nigeria Exploration and Producing Company (SNEPCO), Shell Nigeria Gas (SNG) and Shell Nigeria Oil Products (SNOP), and interests in the Nigeria Liquefied Natural Gas Limited (NLNG). Almost 14% of Royal Dutch Shell's production, the highest production volume outside of the USA, comes from Nigeria. Its subsidiary, SPDC is the largest Oil and Gas Company in Nigeria, accounting for 40% of the country's oil production; it produces over a million barrels of oil per day. Shell is the technical operator of the NNPC/Shell/Total/AGIP (55%/35%/10%/5%) joint venture, and is the focus of this study. Shell's operations are mostly in shallow waters and onshore (i.e. on land) in the Niger Delta region, and are spread over a distance of 31,000 square kilometres. The company's facilities include a network of more than 6,000 kilometres of flow-lines and pipelines, 90 oil fields, 1,000 producing wells, 72 flow-stations, 10 gas plants, and two major oil export terminals at Bonny in Rivers State and Forcados in Bayelsa State (SPDC, 2010). Shell's oil and gas operations are scattered over six of the nine oil-producing States of the Niger Delta. The company has over 1000 stakeholder communities, consisting of host, transit and impacted communities.

4.4.3.2. Total Exploration and Production Nigerian Limited (Total E & P)

Total Exploration and Production is a subsidiary of the Total Group; which is the world's fifth-largest international oil and gas producer with operations in more than 130 countries. Other

subsidiaries of the Total Group operating in Nigeria are Total Upstream Nigeria Limited (TUPNI) and Total E & P Deepwater A to H Limited (Total, 2009). Total Exploration and Production Nigeria (Total E & P), the technical operator of the NNPC/Total (60%/40%) joint venture, is the focus of this study.

In 1999, Total merged with Belgian oil company Petrofina to form TotalFina. A year later, in 2000, TotalFina combined with French Oil Company Elf Aquitaine to create TotalFinaElf. Elf Petroleum Nigeria Limited was incorporated as SAFRAP in 1962, and belonged wholly to the then Elf Aquitaine Group. In May 2003, TotalFinaElf adopted the name Total. The company under the incorporated name of SAFRAP made its first onshore oil discovery in a community called Obagi in the oil rich Egi-land, in the Ogba/Egbema/Ndoni Local Government Area of Rivers State, in the early 1960s. In the 1980s, it made some offshore discoveries and started earnest production in the 1990s. In its joint venture with the NNPC, the company holds a 40% equity share in the four onshore blocks and four offshore blocks. Total E & P also produces as a 10% shareholder in the NNPC/Shell/Total/AGIP joint venture, which is operated by Shell. The company has a daily average production of just over 300,000 barrels per day from both its onshore and offshore operations, although onshore production has dropped markedly. Total E &P has less than 30 stakeholder communities, consisting of host, transit and impacted communities.

4.4.3.3. Nigerian AGIP Oil Company (NAOC)

The Nigerian AGIP Oil Company is a subsidiary of the Eni Group and has been in Nigeria since 1962. In Nigeria, the Eni Group operates through the Nigerian AGIP Oil Company (NAOC), AGIP Energy & Natural Resources Ltd (AENR) and Nigerian AGIP Exploration Ltd (NAE). Nigerian AGIP Oil Company (NAOC) is the focus of this study. In 1962, AGIP began exploration in a community called Epebu in Ogbia Local Government Area in Bayelsa State. In 1973, the company entered into a joint venture with the Nigerian government, it was the first transnational subsidiary to enter into such a joint venture. AGIP operates the NNPC/AGIP/Phillips joint venture, where it has a 20% equity share in partnership with Nigerian National Petroleum Corporation (NNPC) 60%, and Phillips 20%. The AGIP joint venture accounts for about 10% of Nigeria's annual oil production and produces about 260,000 barrels per day. It also holds a 5% equity stake in the NNPC/Shell/Total/AGIP joint venture, which is operated by Shell. AGIP has about 300 onshore stakeholder communities, consisting of host, transit and impacted communities. Hereafter, the case study companies would be referred to as Shell, Total, and AGIP.

Figure 13 below shows the distribution of onshore and offshore fields of the major multinational oil companies operating in the Nigerian oil and gas industry.[iv]

Figure 13

Onshore and Offshore Oil Fields of the Major Oil Companies
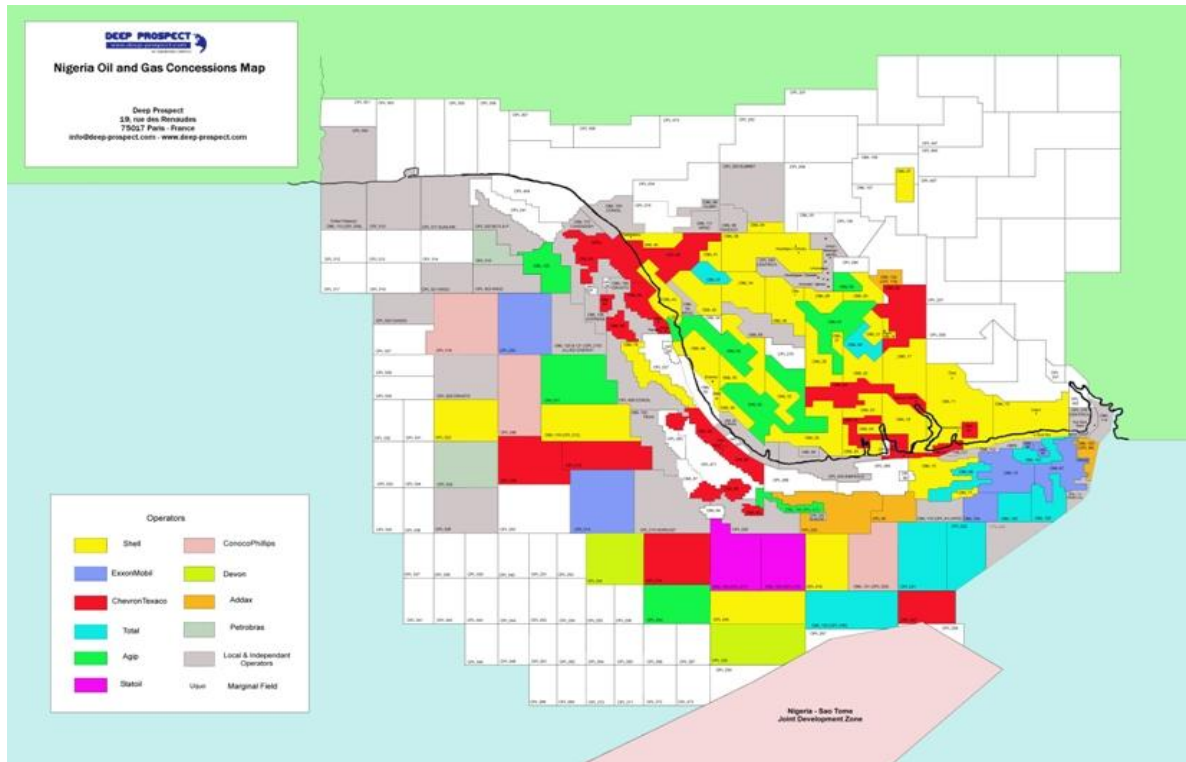
Shell	
ExxonMobil	
ChevronTexaco	
Total	
AGIP	

The oil and gas industry is predominantly technical in orientation; hence, investigating stakeholder management practices which is essentially the management of stakeholder relationships, brought to light, the practical implications of the stakeholder approach for firms attempting to adopt this approach to strategic management. Each of these companies have had significant problems with communities in which they have their operations, and as a result have made informed changes to the approaches they have adopted to improve their relationships with stakeholder communities.

The review of the literature revealed scant empirical studies on how firms manage their relationships with nonmarket stakeholders. The limited studies on how firms manage their relationship with nonmarket stakeholders is perceived as a gap in knowledge. Consequently, this present research seeks to bridge this gap by investigating how multinational oil companies in the Nigerian oil industry manage their relationships with communities, which are categorized as nonmarket, but legitimate stakeholders (Dunham et al., 2006; Lawrence, 2010). As stated earlier,

the focus of this research is the case study companies, however, since the study seeks to find out how they manage their relationships with local communities that are affected by their operations, it was deemed appropriate that the perspectives of local community stakeholder be incorporated in the study. Also because they are on the receiving end of the stakeholder management agendas of the oil companies, they were judged as potentially rich sources of information on the stakeholder management practices of the companies.

4.4.3.4. Local Communities as Stakeholders in the Oil Industry

In relation to the Nigerian oil industry, stakeholder communities are categorised into three main groups; (1) producing communities (or host communities) in which onshore oil and gas exploration and production take place, (2) transit communities, whose territory transit pipelines pass through, and (3) terminal communities, which are coastal communities on whose port or terminal facilities are sometimes located because oil exploration takes place offshore (Agim, 1997). However, there are communities that are neither host, transit nor terminal communities, but, because of their close proximity to oil facilities, and are affected by oil operations, claim a stake in the oil companies. These are known as impacted communities. Local community participants were purposively selected from oil producing communities (host communities), in which the three case study companies had their operations. Participants were selected from host communities because they have more interactions with the oil companies. Also preliminary investigations revealed that the oil companies paid more attention to them. Furthermore, host communities are the main beneficiaries of the social intervention programs of the companies. From the point of view of Mitchell et al.'s (1997) theoretical framework, host communities can be said to originally possess the attribute of legitimacy.

4.4.3.5. NGOs as Stakeholders in the Oil Industry

The researcher also identified NGOs as important sources of information given their potential to influence the behavior of the oil companies, and creating awareness in local communities about the activities of the oil companies. In the Nigerian oil industry, NGOs, particularly those focused on human rights and environmental issues, can be said to possess the attribute of power (Mitchell et al., 1997). In order to influence the behavior of the oil companies, NGOs often aligned themselves with local communities that are affected by oil operations, and through campaigns, and the media, have drawn the attention of the public to the activities of the oil companies. In the oil and gas industry, oil companies, stakeholder communities and non-governmental organisations (NGOs) share an interesting relationship. Over the last two decades local NGOs have played an important role in drawing national and international attention to the environmental, economic, and the social problems local communities suffer as a result of the operations of oil companies. Following the rising numbers of protests and the agitation experienced in those local communities

that have been affected by oil operations in the 1990s, a number of NGOs have arisen in the oil producing Niger Delta. Some of the NGOs focus on environmental issues for example, Environmental Rights Action/Friends of the Earth, Nigeria (ERA/FOEN)[v] Niger Delta Wetlands Centre (NDWC)[vi] others on self-determination and oil resource control, e.g. Movement for the Survival of Ogoni People (MOSOP)[vii], and environmental and community development.

Some of these NGOs have played a major role in creating awareness amongst local communities, developing and deploying capacity development programs to enable community stakeholders to articulate their issues and concerns in relation to the activities of the oil companies, an example of such an NGO is the Stakeholder Democratic Network (SDN)[viii] The increased level of awareness in local communities in the last decade could also be attributed to the emergence and growth of NGOs in the region. Thus, while some of the NGOs work with oil companies to develop and/or implement their community development agendas, others focus on community development and capacity building, and some act as environmental watchdogs, concentrating on the operations of the oil companies, drawing the attention of the companies and communities to oil spills and other oil related impacts. The NGOs that contributed to this study were drawn from these three main categories of NGOs; two of the NGO participants worked with oil companies to develop and implement community development programs, the third NGO participant work exclusively with communities, while the fourth was from an environmental NGO. The decision to incorporate the views of NGOs in this study was thus informed by the critical role they play in the relationship between the oil companies and local communities. While the operations of the oil companies may not have the same direct negative impact on the NGOs as they do on communities, the essential role they play as intermediaries between the companies and the communities, make them an important source of primary data.

Another reason for the inclusion of NGOs in the study is the concern that the oil companies and the community participants might distort or manipulate information in their favour. The possibility of such biased outcomes was observed by Dexter (1970) who stated that "the participant quite consciously modifies the facts as he perceives them in order to convey a distorted impression of what occurred" (p. 126). The contributions from the NGOs thus provide a somewhat more balanced view of the issues under investigation. Unfortunately, due to logistics and other constraints, the researcher was unable to get hold of NGOs that have either worked with, or are currently working with, Total, or AGIP.

4.5.   Research Methods

In fulfilment of the mixed methods research strategy employed, both quantitative and qualitative data were gathered for this research. The quantitative data was collected through closed-ended questionnaires, while the qualitative data was gathered through semi-structured interviews,

individual and focus group interviews; and then augmented with documents such as company reports, local and international newspaper reports, independent reports and Internet based sources. Participants were drawn from the three case study companies, three host (oil-producing) communities, and four different non-governmental organisations (NGOs). The questionnaires were administered to the case study companies only. The reason for this was three fold: (1) because the case study companies were the main focus of the study, (2) gathering data from the companies using both quantitative and qualitative methods facilitated comparisons across the three companies, and comprehension of the issues investigated, and (3) the use of questionnaires facilitated the identification and selection of interview participants from each company. The data collection and analysis processes involved in the conducting of the main empirical research are discussed in detail in the following sections.

4.5.1. Quantitative Data Collection

Quantitative data was collected using closed questionnaires, and these were administered to employees in the divisions and departments that interfaced with government and stakeholder communities in the three case study companies. The researcher developed the survey scale for this study as the field of business and society as a discipline is still relatively young, with empirical tools still being developed (Harrison and Freeman, 1999). The researcher's decision to develop a scale for this study was also informed by the desire to advance empirical research in the field of stakeholder management when conducted in the context of a developing country.

The items on the questionnaire were designed to explore the views of participants from each of the oil companies regarding specific components of stakeholder management. The components are stakeholder issues, stakeholder engagement, stakeholder expectations, stakeholder/company perception, company/stakeholder relationship, stakeholder salience and stakeholder management policies and practices. Most of the 23 Likert-type scale items were derived from the stakeholder management literature, and others were designed to capture what the companies did in practice. These components were designed to enable comparison across the three companies; to determine if the companies were different in the way they viewed and addressed each component, and second, to discover if and how the components might be related.

4.5.1.1. Internal Reliability

In order to determine the reliability of the survey scales, an item-to-total test was performed using the Pearson correlation test. An item-total correlation test is performed to check if any item in the set of tests is inconsistent with the averaged behaviour of the others. This analysis is performed to purify the measure by eliminating inconsistent items prior to determining the factors that represent the construct (Churchill, 1979). A correlation value less than 0.2 or 0.3 suggests that the

corresponding item does not correlate very well with the scale overall and, thus, it may be dropped (Field, 2005). For the item to total test, the minimum correlation coefficient for items to be included for analysis was maintained at .350. All the items had correlation coefficients above .350 and thus all were accepted as reliable (see Appendix 1 Tables 9-15).

4.5.1.2. Sampling

The sample for this study was drawn from the departments that interfaced with external stakeholders, such as the government and the local communities. In the case of Shell, this was the Sustainable Development, Government and Community Relations Division, in Total the survey sample was drawn from the Sustainable Development Division, and in AGIP, the sample was drawn from the Public Affairs Division. The study focused on these departments because the overall aim of the research was to discover how these oil companies managed their relationships with the stakeholder communities, and these departments are presumed to be directly responsible for managing the companies' relationship with stakeholder communities. Thus, they were purposively selected for this study.

4.5.1.3. Pilot Study

After the first draft of the questionnaire, which consisted of 43 questions, was generated it was piloted with individuals from the three case study companies, Shell, Total, and AGIP, all of whom were found to be knowledgeable about the content of the research. One pilot questionnaire was administered to each of the three case study companies. The pilot questionnaire was sent via email to the participants in Total and Shell, and hand delivered to the participants in AGIP.

4.5.1.4. Feedback on Pilot Study

The participants in the pilot study were requested to provide feedback on the content, layout, and topics covered in the questionnaire. They identified questions that were ambiguous as well as those that needed to be rephrased. The themes covered in the pilot questionnaire were judged to be relevant to the department the researcher planned to conduct the study in. They also pointed out that the questionnaire was too long and suggested that the items be reduced to encourage participation in the main study. The feedback from the pilot study was considered and the necessary corrections made for the final version.

4.5.1.5. Administration of Questionnaires

The final version of the questionnaire consisted of 25 items (see Appendix 7). Administration of the questionnaires commenced on June 14th 2010. The questionnaires were hand delivered to the three case study oil companies on different days, as appointments had to be secured first to gain physical access into the companies' premises. In each of the companies, an employee was assigned

to the researcher to facilitate the data collection process, and so the questionnaires were given to these employees to disseminate. An introductory letter was attached to each questionnaire (see Appendix 6), explaining the objectives of the research.

The employees assigned to the researcher retrieved the completed questionnaires within three weeks of the administration. The completed questionnaires from AGIP were sent to the researcher through the researcher's contact in the company, while the researcher personally retrieved those from Shell and Total. A little over 50% of the questionnaires administered were completed; 40 questionnaires were administered at Shell, of which 19 were completed and returned; at Total, 20 questionnaires were delivered, and 12 was completed and returned; in AGIP, 20 questionnaires were also administered, but only 10 completed questionnaires were returned. Therefore, a total of 41 completed questionnaires were retrieved.

The questionnaire had two sections; the first section requested respondents to provide background information, including their department, position in their company, and responsibilities. This background information was requested, first, to enable the researcher to ascertain whether the questionnaires were distributed amongst a diverse set of employees, second, to acquire some background on the nature of activities undertaken in those departments, and third, to facilitate the identification and selection of prospective interviewees for the qualitative study.

The second section consisted of 25 questions; the first question, which was open ended, required the respondents to list five stakeholders that they thought were most important to their respective companies. Questions 2-23 were Likert-type items, and the final consisted of a statement and four response statements from which the respondents could select. For the 23 Likert-type items, the respondents were asked to indicate their level of agreement or disagreement with a statement by selecting one of four responses on a four-point scale. A 4-point rating strategy was employed: 4 - Strongly Agree, 3 – Agree, 2 – Disagree, 1- Strongly Disagree.

When designing the questionnaire, particular attention was paid to the potential for bias resulting from response artefacts (Podsakof and Organ, 1986). Firstly, the order of the questions was randomized to avoid any response-order biases. Secondly, the respondents were not told about the nature of the relationships being investigated, to avoid any attempts at over-justification (Greenley et al., 2004).

4.5.2. Quantitative Data Analysis

Analysis of the data collected from the completed questionnaires was undertaken in various stages with each questionnaire first being manually checked for completeness. Questionnaire coding was relatively straightforward as the majority of the questions were closed-ended and pre-coded, that is, the respondents were asked to select response categories that already had numbers assigned to

them (Bryman, 2008). For example, the response 'strongly agree' was pre-coded with the number '4', 'agree' was assigned '3', 'disagree' was assigned the number '2', and 'strongly disagree' was assigned '1'. The data were inputted into the Statistical Package for Social Scientists (SPPS) program version 15 for the purpose of analysis. After the initial data entry, the data inputted was checked to ensure this had been done accurately. In addition, the SPSS spreadsheet was checked for errors by undertaking basic frequency analysis, and performing cross tabulation.

Frequency tests were performed for Q1 and Q25, and nonparametric tests for the remaining 23 Likert-type items. Non-parametric techniques are most appropriate when data are measured in nominal (categorical) and ordinal (ranked) scales (Pallant, 2010). The data used in statistical analysis is based on ranked scales. Another reason for using non-parametric tests in the analysis of this data was because of the small size of the survey sample. According to Pallant (2010) non-parametric tests are appropriate when the sample size is small and the data does not meet the stringent assumptions of parametric techniques. The two main assumptions for non-parametric tests are that, samples are random and that observations are independent of each other; these conditions were met. Three non-parametric tests; the Spearman rank Correlation test, the Kruskal-Wallis test and the Mann-Whitney test were used in the analysis of the Likert-type items. The Spearman Rank Correlation test is used to test for the strength of the relationship between two variables, while the Kruskal-Wallis test allows for the comparison of scores on a variable across three or more independent groups in order to determine whether differences exist across the groups. The Mann-Whitney test is similar to the Kruskal-Wallis test in that it is also used to compares scores, but unlike the Kruskal-Wallis test, it is used to test for differences between two independent groups in reference to a given variable (Pallant, 2010).

The Spearman rank test was thus used to determine if the variables constituting the 23 items were related, while the Kruskal-Wallis test was employed with the aim of discovering if there were any differences across the three companies in relation to these variables. The Mann-Whitney test was used as a post hoc test after the Kruskal-Wallis Test to identify specific companies that were different from each other with respect to these themes. Stevens (1996) has suggested that in studies involving small group sizes, it may be necessary to set the significance level to a cut-off of .10 or .15 to avoid the possibility of non-significant outcomes where there might be one. In spite of the small size of the groups in this study, the researcher decided to set the significance level for the Kruskal-Wallis test, the Mann-Whitney test, and the Spearman Correlation at .05. The use of SPSS facilitated the statistical analysis and reporting of the data collected, as the output showed the test results and the significance level of the association (i.e., p-value).

4.5.3. Qualitative Data Collection

The participants for the qualitative study selected from the oil companies were purposively chosen based on the responses from the questionnaire administered in the quantitative study. The first section of the questionnaire requested that the participants provide the following background information: (1) department, (2) position in company, and (3) responsibilities. These were designed to facilitate the identification and selection of interviewees. Without the exploratory quantitative study, the researcher would have found it difficult to identify the relevant participants for the qualitative study, being an 'outsider' at the participating companies. Data was collected through primary and secondary sources. Primary data was collected mainly through semi-structured interviews. The secondary data consisted of documentary evidence and was collected from company annual reports and websites, local newsletters produced by the oil companies, independent reports by NGOs, national and international new reports, books and journal articles and Internet resources. According to Yin (2003), various types of documentary evidence can be helpful in terms of corroborating and augmenting other sources. For example, while the participants listed the different strategies community stakeholders used to get them to take certain actions, they did not provide details of these actions; therefore full reports were sought, and found from online newspapers. Similarly, the local newsletters and annual reports of the companies served as an important alternative source of information regarding the stakeholder management policies and the actual practices of the companies. Yin (2003) noted that drawing inferences from documentary evidence is one of the most important uses of such documents.

4.5.3.1. Sampling

The three case study companies provided a unique context for understanding how firms manage their relationships with their stakeholders, particularly in the case of those considered to be nonmarket stakeholders in the literature, for example, interest groups, communities, and governments (Freeman, 1984, Post et al, 2002, Clarkson, 1995). Case studies allow for the generation of multiple perspectives, either through multiple data collection methods or through the creation of multiple accounts from a single method (Lewis, 2003). The integration and contrasting of different perspectives can build up a rich and detailed understanding of a context (Gary, 2009). Thus, sampling choices were made on conceptual grounds, and were not influenced overly by a concern for representativeness. In order to understand the phenomenon of stakeholder management in practice, it was necessary that the perspectives of different stakeholders who have interests in, or are affected by the operations of the case study companies be taken into account (Miles and Huberman, 1984). This is important if the research is to present a more balanced perspective on the issues of concern being investigated. Personal judgment and recommendations from contacts facilitated the selection of participants from the host communities associated with

the case study companies, and the NGOs. Two of the community leaders were selected based on recommendations by contacts, who had informed the researcher that these community leaders had more contact with the oil companies, hence had more access to privileged information and insights, which may not be readily available to others in their respective communities. This informed the choices of community leaders from AGIP and Shell's host communities. In the case of Total's host community, the researcher travelled to the community to find a community leader who was willing to participate in the study. The choice of NGOs selected was principally based on the nature and focus of their work in relation to the oil industry and local communities. Of the four NGOs, one works exclusively with those local communities affected by the operations of oil companies, the second works mainly with oil companies in the deployment of community development programs and projects, the third works with both local communities and oil companies, and the fourth is an environmental NGO, which describes its work as environmental activism.

4.5.3.2. Interview Process

The semi-structured interviews, conducted with the participants from the oil companies were designed to complement the questionnaire survey. The format of the interviews with the community leaders and NGOs was also semi-structured. The semi-structured interview guide consisted of seven main questions to cover for each set of participants, with slight variations for each set of participants (see Appendices 9-11). The research questions, aims and objectives guided the direction of the interviews. The interviews commenced on July 7, 2010, and took place until the end of September 2010, during which time a total of 21 interviews were conducted; 14 participants from the three companies, four from Shell, five from Total and five from AGIP; three community leaders from three host communities, and four staff, one from each of the four NGOs. Of the 14 interviews with the oil company participants, only one was conducted over the phone, the remainder were done face to face in the offices of the participants. All the interviews at Shell took place in the company's administrative office complex in Port Harcourt. For AGIP, four interviews were also conducted in their administrative office complex in Port Harcourt and one in the company's community relations office in one of their host communities. In the case of Total, four interviews were carried out in their administrative office complex in Port Harcourt, and one in the community relations office in one of their host communities.

The interviews with the community leaders were conducted at different venues. The interview with the community leader of Shell's host community took place at the participant's office in Port Harcourt, while the interviews with the community leaders of AGIP and Total's host communities were conducted in the respective communities. The researcher's visits to these communities for the interviews with the community leaders were quite enlightening, as the visits afforded the

researcher the opportunity to see the development projects the companies had put in place. The visits provided the researcher with an opportunity to observe and assess the mood of the community people. In the case of the NGOs, three of the interviews were conducted over the phone, and the fourth was done face to face in the participant's office.

The interviews with the different participants lasted between 30 and 90 minutes. 12 of the interviews were tape-recorded with the consent of the participants, which were the three community leaders, the four NGO participants, one participant from Shell, one from AGIP and three from Total. Notes were taken when interviewing the remaining nine participants, because they expressed reservations about being tape recorded. After transcribing the relevant sections of the taped interviews, the researcher communicated with the participants to ask if they would like to go through the transcripts to verify the contents, but they declined. The participants from the oil companies, however, requested a brief report on the basis of the research findings.

4.5.4. Qualitative Data Analysis

The tape-recorded interviews were partially transcribed, with particular attention given to relevant sections of the interviews; and then the notes were typed. The tape-recorded interviews were partially transcribed because some of the issues the interviewees talked about were not directly related to the focus of the study. The researcher carefully identified relevant information by listening to the tapes at least three times, and then transcribing accordingly. Analysis of the data began with a careful reading and re-reading of the transcripts and field notes to attain overall familiarity with the data. The data from the three companies, the NGOs, and the community leaders was initially analysed separately and then together for the purpose of a cross-case comparison. Further reading of the transcripts and notes was then undertaken and a structural coding technique (Saldana, 2009) was applied to the interview transcripts using the interview questions. According to Saldana (2009), structural coding is more suitable for interview transcripts than other data, such as researcher-generated field notes, because it applies a conceptual phrase representing a topic of inquiry to a segment of data that relates to a specific research question used to frame the interview" (MacQueen et al., 2008) it is a question-based code that "acts as a labelling and indexing device, allowing researchers to quickly access data likely to be relevant to a particular analysis from a larger data set (Namey et al., 2008). Thus, the research questions and interview questions were used as a basis from which to sort, label and categorize the interview data for analysis. This technique is also considered appropriate for studies employing multiple participants, and for standardized or semi-structured data gathering protocols (Saldana, 2009). A pattern coding technique was also employed to analyse the field notes and to identify emergent themes. Pattern Codes are "explanatory or inferential codes, ones that identify an emergent theme, configuration, or explanation. They pull together a lot of material into a more meaningful and

parsimonious unit of analysis" (Miles and Huberman, 1994: 69). This technique of coding also facilitates "cross-case analysis by surfacing common themes" (Miles and Huberman, 1994: 69).

4.5.5.   Validity and Reliability Issues

Yin (2003) has observed that validity is particularly problematic for case studies, mainly because of the difficulty of defining the construct being investigated. However, Bryman (2004) has pointed out that problems related to validity in case study research can be mitigated through using multiple methods of data collection and sources. In this study, the question of validity was addressed by the mixed methods research strategy employed, which enabled triangulation. Hussey and Hussey (1997) defined triangulation as "the use of different research approaches, methods and techniques in the same study to overcome the potential bias and sterility of a single-method approach". In addition, Saunders et al. (2009) defines triangulation as "the use of different data collection techniques within one study in order to ensure that the data are telling you (the researcher) what you (the researcher) think they (the interviewees) are telling you." Easterby-Smith et al. (1991) identified four methods of triangulations namely: data, investigator, methodological, and theoretical. Data triangulation is the collection of data from different sources, or in different time frames. Investigator triangulation is achieved when different investigators are used to collect the same data. Methodological triangulation has to do with using different methods to collect data (e.g. quantitative and qualitative methods). Theoretical triangulation is achieved when different theories are brought to bear on the same results. In this current study, triangulation at the level of data collection and methodology was employed.

Ordinarily conditions for reliability are met by the replicability of a study (Gray, 2009). According to Bryman (2007) case study generalization is made more feasible by team research approach where a group of researchers investigate a number of cases. This of course can only be achieved if researchers conscientiously document procedures through what Yin (2003) calls case study protocols and case study databases. For interview data, reliability can be increased through the use of standardized interview schedule (Yin, 2003). In this current study the reliability of the interview data was increased by the standardized nature of the interview schedule (see Appendices 9-11). Furthermore, the reliability of the research findings in Project Two was tested in Project Three, where they were presented to most of the participants in Project Two. The feedback received in Project Three, not only confirmed most of the findings made in Project Two, it also provided a better understanding of the issues investigated. Thus validity and reliability issues inherent in case study research was mitigated by the feedback loop incorporated into the research design.

4.5.6. Ethical Considerations

The research methods employed in projects two and three were interactive, that is, the researcher interacted with the informants in the face-to-face interviews and focus groups. The main ethical issue surrounding data collection through interviews is that participants are not harmed or damaged in any way by the research (Gray, 2009, Silverman, 2005). Much of qualitative work depends on the personal views and stories of others, who may risk exposure and embarrassment, as well as loss in more extreme cases of standing, employment, and self-esteem (Denzin and Lincoln, 2005). In view of these issues, the researcher took deliberate steps to mitigate such outcomes, by explaining in detail the nature of the research and its intended use. The researcher also provided the informants with a 'participant informant sheet', and a 'consent form', see Appendix 8, to ensure that they understood the purpose of the study and confirmed their willingness or otherwise to participate.

Summary

This chapter has discussed the research methodology underpinning this study, bringing to the fore the issues of rigour and relevance in management research. It outlined the epistemological debates that have reinforced the seeming divide between qualitative and quantitative research, and identified a pragmatic approach to research as the bridge that closes the gap between these two research strategies. With the present call for management researchers to seek to bridge the gaps between the theory and practice of management, the researcher took a pragmatic philosophical position, and employed a mixed method research, which entailed the combination of quantitative and qualitative research approached, in investigating the phenomenon of interest. A sequential mixed methods design was developed and deployed in this study. A case study approach was employed to focus the study and enhance our understanding of stakeholder management practices, particularly in the context of the Nigerian oil and gas industry. This approach allowed the researcher to focus on a few case study companies and other relevant participants. The chapter also provided a brief background on the case study companies. It also discussed the research methods employed in detail, and highlighted the ethical issues involved. The next chapter reports and discusses the results from the quantitative study and the findings from the qualitative study.

<center>**CHAPTER FIVE**</center>

<center>**RESEARCH FINDINGS**</center>

5. Introduction

This chapter presents and discusses the results and findings from the quantitative and qualitative studies that were conducted for this research. It begins by outlining the aim and objectives of the quantitative research; after which the results of the quantitative research are presented and discussed, followed by a brief summary. The subsequent section then presents and discusses the findings from the qualitative study; beginning with a brief introduction, followed by an outline of the aim, objectives, and research questions. It then discusses specific cases highlighting the breakdown in the relationships between the case study companies and the local communities that are affected by them, to assist our understanding and interpretation of the research findings. Following this, the findings from the qualitative study are then presented and discussed. The final section of this chapter integrates and discusses the results from the quantitative study and the findings from the qualitative study, and then draws conclusions.

5.1. Quantitative Study

This section begins with an outline of the research aim, the objectives informing the research and a number of hypotheses, and the research questions. Following this the results are presented and discussed. The section then concludes with a brief summary.

5.2. Research Aim

The quantitative aspect of this research, which is mostly exploratory in nature, was designed to discover the ways in which the three case study companies differ in terms of the stakeholder groups they consider to be most important; their posture on stakeholder issues, and their attitude towards specific stakeholder management components; and to statistically test the relationships between these components.

5.2.1. Research Objectives

In other to achieve the aims of this study a number of research objectives were set:

1. To determine the stakeholder groups that the companies consider to be most important

2. To discover the stance the companies take towards stakeholder issues

3. To find out if the case companies operate differently in relation to stakeholder engagement, stakeholder expectations, stakeholder issues, stakeholder/company

perception, company-stakeholder relationship, stakeholder management policies and practices and stakeholder salience

4. To investigate the nature of the relationship between the following stakeholder management components:

    a. Stakeholder engagement and stakeholder expectations,

    b. Stakeholder engagement and stakeholder issues

    c. Stakeholder engagement and stakeholder/company perception

    d. Stakeholder engagement and company-stakeholder relationship

    e. Stakeholder engagement and stakeholder management policies and practices

    f. Stakeholder expectations and stakeholder issues

    g. Stakeholder expectations and stakeholder/company perception

    h. Stakeholder/company perception and stakeholder issues

    i. Stakeholder/company perception and company-stakeholder relationship

    j. Stakeholder/company perception and stakeholder salience.

In relation to **research objective 3**, the following hypothesis was proposed:

Hypothesis 1

Significant differences will be observed between the three case study companies in relation to stakeholder engagement, stakeholder expectations, company-stakeholder relationship, stakeholder issues, stakeholder/company perception, stakeholder salience and stakeholder management policies and practices.

Null Hypothesis

No significant differences will be observed between the three case study companies in relation to stakeholder engagement, stakeholder expectations, company-stakeholder relationship, stakeholder issues, stakeholder/company perception, stakeholder salience, and stakeholder management policies and practices.

In relation to **research objective 4** above, the following hypotheses were proposed:

Hypothesis 2

A significant positive correlation will be observed between stakeholder engagement and stakeholder expectations

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and stakeholder expectation

Hypothesis 3

A significant positive correlation will be observed between stakeholder engagement and stakeholder issues

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and stakeholder issues

Hypothesis 4

A significant positive correlation will be observed between stakeholder engagement and stakeholder/company perception

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and stakeholder/company perception

Hypothesis 5

A significant positive correlation will be observed between stakeholder engagement and company-stakeholder relationship

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and company-stakeholder relationship

Hypothesis 6

A significant positive correlation will be observed between stakeholder engagement and stakeholder management policies and practices

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and stakeholder management policies and practices

Hypothesis 7

A significant positive correlation will be observed between stakeholder expectations and stakeholder issues

Null Hypothesis

No significant positive correlation will be observed between stakeholder expectations and stakeholder issues

Hypothesis 8

A significant positive correlation will be observed between stakeholder expectations and stakeholder/company perception

Null Hypothesis

No significant positive correlation will be observed between stakeholder expectations and stakeholder/company perception

Hypothesis 9

A significant positive correlation will be observed between stakeholder/company perception and stakeholder issues

Null Hypothesis

No significant positive correlation will be observed between stakeholder/company perception and stakeholder issues

Hypothesis 10

A significant positive correlation will be observed between stakeholder/company perception and company-stakeholder relationship

Null Hypothesis

No significant positive correlation will be observed between stakeholder/company perception and company-stakeholder relationship

Hypothesis 11

A significant positive correlation will be observed between stakeholder/company perception and stakeholder salience.

Null Hypothesis

No significant positive correlation will be observed between stakeholder/company perception and stakeholder salience.

5.2.2. Research Questions

1. What are the ways in which the three case study companies demonstrate differences?

2. What if any is the nature of the relationship between the stakeholder management components?

5.2.3. Definition of Themes

The operational definitions of these stakeholder management components (variables), which were derived from the extant literature, are provided below:

1. **Stakeholder/Company Perception**: is how a stakeholder and firm interpret the outcomes of their interactions and relationships (Idemudia, 2007).

2. **Company-Stakeholder Relationship**: is how firms and their stakeholders regard and behave towards each other (Freeman, 1984).

3. **Stakeholder Expectations**: are the specific outcomes stakeholders hope to achieve as a result of their interaction or relationship with a firm (Bourne, 2009).

4. **Stakeholder Engagement**: is how a firm interacts with stakeholders, and addresses their issues (Zadek and Raynard, 2002, Zakhem, 2007).

5. **Stakeholder issues**: are the effects of a firm's business activities on stakeholders (Ansoff, 1979, Freeman, 1984)

6. **Stakeholder management policies and practices**: are the guidelines and practices that inform how firms manage their relationships with their stakeholders (Freeman, 1984; Post et al., 2002; Weiss, 2006).

7. **Stakeholder Salience**: is the importance a firm ascribes to specific stakeholders based on the perception of its managers (Mitchell et al, 1997).

5.3. Results

5.3.1. Most Important Stakeholders

The first question in the survey questionnaire, asked the participants to list the five stakeholders they thought were most important to their company. They were not asked to list the stakeholders in order of importance, as the aim was not to rank the stakeholders. Rather, the researcher was interested in finding out the number of respondents from each company who identified the same set of stakeholders. The analysis would then involve a comparison of the stakeholders listed by at least 50% of the participants across the three companies.

The participants from Shell identified 19 different stakeholder groups, Total identified 18 and AGIP identified 15 stakeholders (Table 16, Appendix 2). The lists were compared and merged to facilitate analysis. A total of 23 stakeholders were identified across the three companies and so a frequency test was performed to determine the number of respondents from each company that mentioned a particular stakeholder group.

The stakeholders that were identified as the most important by at least 50% of the respondents from each of the three companies were compared and contrasted. See Table 6 below.

Table 6

Most Important Stakeholders

Shell	Total	AGIP
Host Communities 19x (100%)	Host Communities 12x (100%)	Host Communities 8x (80%)
Government 18x (94.7%)	Impacted communities 6x (50%)	Government 7x (70%)
Non-governmental Organisations (NGOs) 12x (63.2%)		Joint Venture Partners 6 x (60)

From the Table above, it can be observed that the majority of the respondents across the three companies (Shell -100%, Total -100% and AGIP - 80%) identified host communities to be amongst the most important stakeholders. The majority of the respondents from Shell identified the next most important stakeholder group as the government (94.7%). However, according to the

respondents from Total, impacted communities were the next most significant stakeholder group identified (50%). Similar to Shell, the second most important stakeholder identified by most respondents from AGIP was the government (70%). Following government, the next most relevant stakeholder group identified by the respondents from Shell were NGOs (63.2%); while the next most significant stakeholder group identified by most of the respondents from AGIP were joint venture partners (60%). The relevance of this group is due to the fact that each of three case study companies have joint venture partnerships with the state owned petroleum company NNPC, and each of them are the operators of the joint ventures; for example, AGIP is the operator for the NNPC/AGIP/Phillips, while Shell is the operator for the NNPC/Shell/Total/AGIP joint venture and Total is the operator for the NNPC/Total joint venture. Even though the three companies are bound in a consortium with the NNPC, they did not participate in this study based on that platform. The operators of the respective joint ventures manage all activities in relation to these ventures. Therefore, each of the companies participated in this study independent of the others. The stakeholder groups identified as most important by each of these companies reflected this fact. In sum, host communities, government and NGOs were identified as the most important stakeholder groups for the division from which the sample was drawn in Shell. For Total, the most important were judged to be the host communities and impacted communities; and for the AGIP respondents, host communities, government and joint venture partners were the most crucial.

As stated in the previous chapter, the survey sample was drawn from those divisions and departments that interfaced with the government and stakeholder communities; therefore, it is not overly surprising that the majority of the respondents from the three companies identified the government and host communities as among the most important stakeholders. Within these three companies, it is possible that employees from other departments or divisions may identify entirely different sets of stakeholders as being important to the company. The divisions, from which the samples were drawn, are, however, critical to the operations of the companies.

It is possible to readily explain why the government was selected as a key stakeholder; not only does it grant the official licences required by the oil companies, it is also a major shareholder (stakeholder) in the industry and functions as a regulator as well. Therefore, the business opportunities in the country, upon which the oil companies depend, are available only with the support of the government. The government can thus be described as critical; it is that stakeholder group 'without whose support the companies would cease to exist' in the country (Bowie, 1988:112).

Although, host communities topped the list across the three companies, recognition of their importance is understood to be a recent phenomenon. Thus, we recall here that host communities are the communities in which the oil companies explore and produce oil and gas, and that they are

the most vulnerable to the negative effects of these activities. Impacted communities, who were also identified as a top stakeholder, do not have oil or gas, but may be affected by the operations of the companies, especially those that are located in close proximity to the operations sites. Thus, host or impacted communities can be described as comprising the stakeholder group, who "…are harmed by, and whose rights are violated by corporate actions" (Evan and Freeman, 1988). How the oil companies manage their relationship with this group, particularly in view of the impact of their operations, is the central focus of this research.

It is understood by the respondents that the importance of the host communities is not based on any rights they have over the oil or gas on their land, as the federal government holds rights to all mineral resources in the country[1]. Rather, it is their ability to destroy oil facilities or prevent the oil companies from operating in their communities that has brought them to such prominence in recent times[2]. The oil companies came to recognise that the communities could withdraw and grant 'social licences', even if they did not have any rights to the resources on their land. The events that led to the changes in the attitude of the oil companies towards stakeholder communities are identified and discussed in the qualitative study.

The result shows that more than half of the respondents at Shell identified NGOs as amongst the most important stakeholders. The reasons for this selection are identified in the qualitative analysis. Table 16 (Appendix 2) shows that the respondents from AGIP and Total also identified NGOs, as important stakeholders, but the number of respondents who identified NGOs, were far fewer, 30% (AGIP) and 17% (Total). This is an interesting outcome and seems to suggest that Shell relates more with NGOs than either AGIP or Total. This result is further explored in the qualitative analysis. The next section presents the results and analysis of item 25 of the survey questionnaire.

5.3.2. The Companies' Postures on Stakeholder Issues

Different firms respond differently to stakeholder issues, their responses range from taking a proactive stance to stakeholder issues to the assumption of reactive postures (Post, 1978). Understanding how firms respond to stakeholder issues is also important when seeking an understanding of how they manage their relationships with their stakeholders and why they employ specific strategies for managing these relationships. Therefore, in order to determine how the three companies in this study respond to stakeholder issues, the researcher developed four statements relating to possible responses to stakeholder issues, as derived from a combination of Carroll's (1979) philosophy of social responsiveness framework, and incorporating the four postures that firms adopt in response to stakeholders and their issues: reactive, defensive,

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[1]See section 3.1.1.1
[2]See section 5.6.3

accommodative, and proactive, and Post's (1978) firm coping strategies, which include, inactivity, reactivity, proactivity or interactivity. The four statements were presented as item 25 on the questionnaire, and the participants were asked to circle the statements that best described their company's posture on stakeholder issues.

A frequency test was performed and the results presented in bar charts in Appendix 5 Figures 22-24. In the analysis, 'Yes=1' was the label used to count the respondents who selected a statement, and 'No=0' was used to count those who did not. In response to the statement (item 25), "The Company deals with stakeholder issues in the following ways", all the respondents (100%) from Shell selected statement 25a, which states, 'anticipate and actively address stakeholder issues'; 91.7% of Total respondents also did so, as did 70% from AGIP. All the respondents from the three companies ignored statement 25b, which states, 'ignores stakeholder issues or fight against addressing the stakeholders'; hence, it was not included in this analysis. To the response statement 25c, which is 'accept responsibility and address issues when they arise', 90% of the respondents from AGIP selected this option, with 78.9% from Shell and 83.3% from Total. 68% of participants from Shell selected statement 23d, 'meet the minimum legal requirements in addressing stakeholder issues', with 41.7% from Total and 60% from AGIP.

The results suggest that 25a 'anticipating and actively addressing stakeholder issues' is the most likely response of Shell and Total to stakeholder issues (100% and 91.7% respectively); however for AGIP, 25c; 'accepting responsibility and addressing issues when they arise' seems to be the dominant approach, with 90% or the respondents selecting this statement. The results suggest that Shell and Total take a proactive stance on stakeholder issues, while AGIP is more reactive in reference to stakeholder issues. It also suggests that Total and Shell anticipate and deal with stakeholder issues before they arise. Clarkson (1991) notes that being proactive, "involves doing a great deal to address stakeholders' issues, including anticipating and actively addressing specific concerns." Furthermore, a proactive posture encourages stakeholders to flag up issues of concern to facilitate a quick resolution (Clarkson, 1991).

The results further suggest that AGIP is more likely to deal with a stakeholder issue only when confronted by it, and the company only takes responsibility for issues that are drawn to their attention. These seemingly different postures towards stakeholder issues revealed by this result are further explored in the qualitative analysis. The next section reports the findings from the analysis of the Likert-type scale items.

5.3.3. Differences in Attitudes towards Stakeholder Management Components

As explained in section 4.5.1 in the previous chapter, items 2-24 in the questionnaire were grouped under the following themes: stakeholder engagement, stakeholder expectation, stakeholder

salience, company-stakeholder relationship, stakeholder/company perception, stakeholder issues and stakeholder management policies and practice, to assist analysis (See Tables 1-7 in Appendix 1). The table shows the items grouped under each theme (variable), as well as the results of the item-to-total test that was performed to ensure the reliability of each item in relation to the theme.

To guide the statistical analysis, the following proposition was put forward in relation to research objective 3:

Hypothesis 1

Significant differences will be observed between the three case study companies in relation to stakeholder engagement, stakeholder expectations, company-stakeholder relationship, stakeholder issues, stakeholder/company perception, stakeholder salience and stakeholder management policies and practices.

Null Hypothesis

No significant differences will be observed between the three case study companies in relation to stakeholder engagement, stakeholder expectations, company-stakeholder relationship, stakeholder issues, stakeholder/company perception, stakeholder salience, and stakeholder management policies and practices.

In order to determine if there were any differences amongst the three companies in relation to the listed variables, a Kruskal-Wallis test was performed on the data. As stated earlier, the p-value for the test is set at 0.05 (i.e. $p \leq 0.05$). The results of the Kruskal-Wallis test are presented in Table 17 in Appendix 3 and show a statistically significant difference in stakeholder salience (p=. 033) and stakeholder engagement (p= .017) across the three companies. There appears to be no statistically significant difference across the three companies in relation to stakeholder/company perception, company-stakeholder relationship, stakeholder expectations, stakeholder issues, and stakeholder management policies and practices.

The result of the Kruskal-Wallis test suggests that there is a difference across the three case study companies in relation to stakeholder salience and stakeholder engagement. The results, however, did not show any statistically significant differences across the three companies in relation to stakeholder/company perception, company-stakeholder relationship, stakeholder expectations, stakeholder issues, and stakeholder management policies and practices. This suggests that there is no difference between the three case study companies in relation to these stakeholder management components.

While the Kruskal-Wallis test result revealed that there were differences across the three companies in relation to stakeholder salience and stakeholder engagement, it did not reveal which specific companies differed in relation to these components. In order to determine the precise differences between the companies, the Mann-Whitney test was performed. The Mann-Whitney test, which is also a non-parametric test, is used to test for difference between two independent groups. The results of the Mann-Whitney Test are shown in Tables 18, 19, and 20 in Appendix 3.

The result of the test for Shell and Total shows a statistically significant difference between the two companies in relation to stakeholder salience (p= .017). This result suggests that Shell and Total differ in the criteria they employ in determining which stakeholder group is salient. This result confirms the result discussed earlier, with more respondents from Shell identifying host communities, government, and NGOs, and those from Total identifying host communities and impacted communities. The result of the Mann-Whitney test for Shell and AGIP show a statistically significant variation between the two companies in relation to stakeholder engagement (p= .007), suggesting that Shell and AGIP are different in the ways they respond to stakeholders and their issues. This outcome relates to the earlier discussion on the posture of the companies towards stakeholder issues, with the result suggesting that Shell addresses stakeholder issues proactively, while AGIP is more likely to take reactive posture.

The result of the Mann-Whitney test between Total and AGIP, presents an interesting outcome; it shows a statistically significant difference between Total and AGIP, in relation to the company-stakeholder relationship (p=. 035) and stakeholder management policies and practices (p=. 038). The difference in relation to the company-stakeholder relationship suggests that Total and AGIP are different in the way in which they relate to their stakeholder communities, and also with regards to how their stakeholder communities regard them. It also suggests that the policies and practices the two companies employ to manage their relationships with stakeholder communities are different. What is interesting about this result is that the result of the Kruskal-Wallis test did not reveal any statistically significant difference for the company-stakeholder relationship, or the stakeholder management policies and practices across the three companies. The outcome of the Mann-Whitney test could be a result of the fact that two of the three companies shared similar perspectives on these themes, in contrast with the third.

The Mann-Whitney test results suggest that Shell and Total are more similar, with a statistically significant difference in relation to stakeholder salience only. The test also suggests that Shell and AGIP are also quite similar, exhibiting a statistically significant difference in relation to stakeholder engagement only. However, between Total and AGIP, there is a statistically significant difference in relation to the company-stakeholder relationship and stakeholder management policies and practices. This suggests that Total and AGIP are different in more than

one way. The implication of these results is that the three companies have points of difference, whilst being broadly similar in other ways. In the next section, the result of the Spearman correlation test is reported.

5.3.4. Relationships between Stakeholder Management Components

The Spearman correlation test was performed to ascertain whether a significant positive correlation existed between the following stakeholder management components: stakeholder engagement, stakeholder expectations, company-stakeholder relationship, stakeholder issues, stakeholder/company perception, stakeholder salience, and stakeholder management policies and practices. The following hypotheses were developed to facilitate the analysis.

Hypothesis 2

A significant positive correlation will be observed between stakeholder engagement and stakeholder expectations

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and stakeholder expectation

Hypothesis 3

A significant positive correlation will be observed between stakeholder engagement and stakeholder issues

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and stakeholder issues

Hypothesis 4

A significant positive correlation will be observed between stakeholder engagement and stakeholder/company perception

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and stakeholder/company perception

Hypothesis 5

A significant positive correlation will be observed between stakeholder engagement and company-stakeholder relationship

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and company-stakeholder relationship

Hypothesis 6

A significant positive correlation will be observed between stakeholder engagement and stakeholder management policies and practices

Null Hypothesis

No significant positive correlation will be observed between stakeholder engagement and stakeholder management policies and practices

Hypothesis 7

A significant positive correlation will be observed between stakeholder expectations and stakeholder issues

Null Hypothesis

No significant positive correlation will be observed between stakeholder expectations and stakeholder issues

Hypothesis 8

A significant positive correlation will be observed between stakeholder expectations and stakeholder/company perception

Null Hypothesis

No significant positive correlation will be observed between stakeholder expectations and stakeholder/company perception

Hypothesis 9

A significant positive correlation will be observed between stakeholder/company perception and stakeholder issues

Null Hypothesis

No significant positive correlation will be observed between stakeholder/company perception and stakeholder issues

Hypothesis 10

A significant positive correlation will be observed between stakeholder/company perception and company-stakeholder relationship

Null Hypothesis

No significant positive correlation will be observed between stakeholder/company perception and company-stakeholder relationship

Hypothesis 11

A significant positive correlation will be observed between stakeholder/company perception and stakeholder salience.

Null Hypothesis

No significant positive correlation will be observed between stakeholder/company perception and stakeholder salience.

The result of the Spearman correlation test is reported below, and also presented in Appendix 4, Table 21.

The results of the Spearman correlation test revealed a positive and statistically significant relationship between stakeholder engagement and stakeholder expectations (p=. 004, with correlation strength r=. 445). A positive and statistically significant correlation was also found between stakeholder engagement and stakeholder issues (p=. 023, with a correlation coefficient of r=. 364). The results also shows a positive and statistically significant correlation between company-stakeholder relationship and stakeholder engagement, with the correlation statistically significant at p= .004, and the strength of the coefficient is at r= .451. There was also a positive correlation between stakeholder/company perception and stakeholder expectations. The correlation between these two variables is statistically significant at p=. 033, with a correlation coefficient r=. 338. A positive correlation was also found between stakeholder engagement and stakeholder management policies and practices (p= .035, r= .347). The result showed a positive and statistically significant correlation between stakeholder expectations and stakeholder issues (p= .038, with correlation strength r= .330). Furthermore, a positive and statistically significant relationship was found between stakeholder/company perception and stakeholder management policies and practices (p= .013, r= .406). Following these outcomes, the Null Hypotheses with respect to Hypotheses 2, 3, 5, 6, 7, and 8 are rejected as a significant positive correlation was observed between the variables.

The Spearman test, however, did not show a statistically significant correlation between stakeholder engagement and stakeholder/company perception (p=. 064), stakeholder/company perception and company-stakeholder relationship (p=. 086), stakeholder/company perception and stakeholder issues (p=. 638), and stakeholder/company perception and stakeholder salience (p=. 497). The implications of these outcomes are that the Null Hypotheses with respect to Hypotheses 4, 9, 10, and 11 cannot be rejected, as the results of the statistical tests did not support the hypotheses that a significant positive correlation existed between the variables (or components). The absence of a significant positive correlation between these variables could be a consequence of the small sample size used; a larger sample might increase the probability of detecting a relationship between these variables, particularly if one actually existed; according to Stevens (1996) when a sample group is large (e.g. 100 or more participants) significance is more easily detected. Furthermore, even though the non-parametric statistical techniques employed in the analysis of the data were considered to be more appropriate, Pallant (2010) noted that they tend to be less sensitive at detecting correlation between variables and differences between groups that actually exist.

The statistically significant relationships revealed by the test are represented in the model in the figure below.

Figure 14

Stakeholder Relationship Management (Model 1)
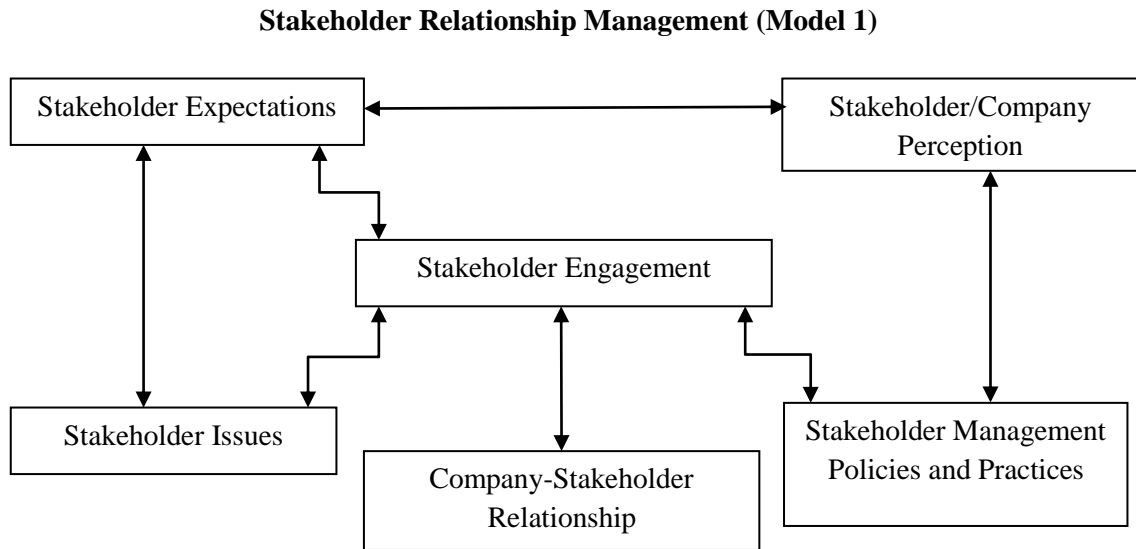
The arrows connecting the different stakeholder management components represent a significant positive correlation between the components; for example, the arrow linking stakeholder issues and stakeholder expectations indicates that these two components have a positive correlation. A positive correlation is where two variables react in the same way, increasing or decreasing together. In view of this, it is argued that the more stakeholder issues there are, the more expectation stakeholders have. Conversely, the less stakeholder issues there are, the less expectations stakeholders. The positive correlation observed between stakeholder issues and stakeholder expectations thus suggests that if there is an increase in stakeholder issues, there will be an increase in stakeholder expectations. Similarly, where there is an increase in stakeholder issues and expectations, firms might want to engage with stakeholders more so as to resolve the issues, and address the expectations. In this sense then, it can be argued that when stakeholder issues increase, stakeholder engagement also increases. Stakeholder engagement provides firms the platform to dialogue with stakeholders on issues that concern them, as well as their expectations (Bourne, 2009). Thus, the significant positive correlation between stakeholder issues, stakeholder expectations and stakeholder engagement suggests that when stakeholder issues increase, stakeholder expectations also increase, as does stakeholder engagement. Stakeholder issues thus move in same direction as stakeholder expectation, and stakeholder engagement also move in the same direction as stakeholder expectations and stakeholder issues.

The significant positive correlation observed between stakeholder expectations and stakeholder perception also indicates that these two components move in the same direction. Changes in stakeholders' perception means that stakeholder' expectations will change as well. Similarly, the

positive correlation between company perception and stakeholder management policies and practices suggests if a company's perception in relation to a stakeholder changes, its stakeholder management policies and practices will change as well. For example, if a company does not view a particular group or individual as a stakeholder worthy of attention, its stakeholder management policies and practices will not extend to such a group or individual (Mitchell et al, 1997).

The positive correlation between stakeholder engagement and stakeholder management policies and practices also means that these two components move in the same direction. First, a firm's stakeholder engagement processes and procedures must somehow derive from its stakeholder management policies and practices (Friedman and Miles, 2006). Managers of course operate within the purview of their firms' strategic policies, the implementation of which might require their discretion. Second, the result indicates that a change in stakeholder management policies and practices in any direction changes stakeholder engagement in a similar direction. And through stakeholder engagement, firms are able to understand stakeholder issues and expectations, and consequently adjust their stakeholder management policies and practices to reflect new realities (Bourne, 2009)

Friedman and Miles (2006) viewed stakeholder management as "…essentially stakeholder relationship management". They point out that it is the relationship and not the actual stakeholders groups that are managed. Thus, from the relational perspective, we are able to better appreciate the possible influence that stakeholder issues, stakeholder expectations, perception (of both firm and stakeholders), and stakeholder engagement could have on the quality of the relationship between a firm and its stakeholders. Firm-stakeholder relationship like any other kind of relationship requires communication in one form or the other for the parties to deal with issues and other concerns (Zadek and Raynard, 2002). Stakeholder engagement plays a very important role in firm-stakeholder relationships (Strong et al., 2001, Zoller, 1999). It is through engagement that a firm can know what stakeholders' expectations are, the issues they have with the firm, and the perceptions of stakeholders (Chinyio and Akintoye, 2008, Noland and Phillips, 2010). The positive correlation between firm-stakeholder relationship and stakeholder engagement suggests that they change and move in the same direction. It can thus be argued that the more robust stakeholder engagement is, the better the quality of the firm-stakeholder relationship. Stakeholder engagement is viewed as a critical components in firm-stakeholder relationship management (Friedman and Miles, 2006, Lerbinger, 2006).

It is important to point out that the aim of this statistical analysis was not to determine a causal relationship between these components, but was intended to determine if a significant positive correlation exists between them. Correlation mostly indicates that there is a relationship between two variables; it does not indicate that one variable *causes* the other (Pallant, 2010). Since the

researcher developed the survey scales, the outcomes of the statistical analysis cannot be compared to previous studies, moreover, the researcher did not find any studies that have empirically tested these relationships in this exact same manner. The statistical results reported in this section are further explored and redressed by the findings of the qualitative study and the feedback related to the research findings.

Summary of the Quantitative Results

The intention behind the study was to identify the stakeholder groups that were considered most important by the focal division/departments, the posture the companies take on stakeholder issues, and if and how the three companies differ in terms of the specified stakeholder management components. It also investigated the nature of the relationships between stakeholder expectation, stakeholder/company perception, company-stakeholder relationship, stakeholder issues, stakeholder engagement, stakeholder salience and stakeholder management policies and practices.

It was found that the focal divisions/departments differed to some degree on which stakeholders they considered to be most important. Second, the results also revealed some differences in the way the companies responded to stakeholder issues. The responses from Shell and Total suggest that they employ a more proactive posture, whereas AGIP appears to adopt a more reactive stance. Third, the results also indicate that the three case study companies differ in some respect in relation to the company-stakeholder relationship, stakeholder engagement, stakeholder salience, and stakeholder management policies and practices. Specifically, the results revealed a statistically significant difference between Shell and Total in relation to stakeholder salience; implying that they use different parameters for determining salient stakeholders. The results also revealed a statistically significant difference between Shell and AGIP in relation to stakeholder engagement, implying that there might be some differences in how the two companies engage with their stakeholders. For Total and AGIP, however, the results revealed a statistically significant difference in relation to the company-stakeholder relationship and stakeholder management policies and practices.

The Spearman correlation tests revealed that stakeholder engagement was positively correlated with stakeholder expectations, stakeholder issues, company-stakeholder relationship, and stakeholder management policies and practices. A significant positive correlation was also observed between stakeholder expectations and stakeholder issues and stakeholder/company perception. Interestingly, stakeholder engagement occupies a central position in relation to the other components, and is the only component that had a significant positive correlation with company-stakeholder relationship. It is expected that the qualitative study, which is reported on in the following section, will further illuminate the results from the quantitative study. This is one of

the benefits of a mixed methods research strategy, as discussed in the previous section. The combination of quantitative and qualitative approaches is said to provide a better understanding of research problems and their outcomes than either approach does when used independently (Creswell and Plano Clark, 2007). We now turn our focus to a discussion of the qualitative findings in respect of this research.

5.4. Qualitative Study

Introduction

This section begins with an outline of the research aim, objectives and questions. It then provides a description of specific instances of breakdown in the relationship between the case study companies and specific local communities that are affected by their operations. The findings are then discussed and summarised, before the quantitative results and the qualitative findings are integrated and discussed in the light of the stakeholder management literature. Following this evaluation conclusions are drawn.

5.4.1. Research Aim

Whereas the quantitative study investigated the ways in which the three companies were different with respect to specific stakeholder management components, the relationship between these components, the stakeholder groups that were considered most important by the focal division/departments, and the posture the companies take on stakeholder issues, the qualitative study was undertaken with the intention of finding out in precise detail how exactly the case study companies manage their relationships with the stakeholder communities. It was envisaged that the findings from this portion of the study would shed more light on the results from the quantitative study.

5.4.1.1. Research Objectives

In view of the above stated aim, the following objectives were proposed:

1. To identify and describe the impact of the oil companies' operations on the local communities.

2. To identify and describe specific actions community stakeholders take in order to influence stakeholder management policies and the practices of the companies, and the effectiveness of these actions.

3. To identify and described the strategies the case companies employ in order to manage their relationship with the community stakeholders, and to establish why they use these strategies

4. To identify and analyse the stakeholder engagement practices of the companies, and uncover the implications of these practices on the relationship between the companies and community stakeholders.

5.4.1.2. Research Questions

In order to achieve these objectives, the following research questions were framed:

1. In what ways do the activities of the oil companies affect the stakeholders in the local communities where the companies have their operations?
2. What actions do community stakeholders take in order to influence the behaviour of the oil companies, and how effective are these actions?
3. How do the oil companies manage their relationships with stakeholder communities?
4. How do the oil companies relate to community stakeholders and address their issues, and how have the methods they have employed influenced their relationship with them?

Before presenting and discussing the findings of this study, a brief narrative of specific cases highlighting the breakdown in the relationship between the case study companies and their stakeholder communities is presented. This narrative provides an important backdrop to the discussion of the research findings.

5.5.   Cases on Breakdown in Company-Community Relations

The cases described in the following sections provide the necessary contextual background to assist in our understanding of why the oil companies came to identify local communities in which they have their operations as stakeholders, the issues that strained the relationship between the companies and the communities, why community stakeholders took specific actions against the oil companies, and how and why the companies responded to the issues and concerns raised by the communities the way they did, and how they have attempted to mend their broken relationships with stakeholder communities.

5.5.1.   Community Relations Problems: Shell's Story

In August 1990, the Ogoni people founded the Movement for the Survival of the Ogoni People (MOSOP), in an attempt to attain greater political autonomy, as well as a greater share of oil revenues. With the statement, "the Ogoni people have now decided to make a last ditch stand against the government and against Shell that have ripped them off for the last 35 years",[ix] Ken Saro-Wiwa, a well-educated and sophisticated Ogoni, from the platform of MOSOP, led the Ogoni people on a nonviolent campaign to protest the environmental degradation of their land and waters by Shell. On 4 January 1993 about 300,000 Ogonis staged a peaceful mass protest against the company. Ken Saro-Wiwa mobilised the Ogoni people locally and also took the campaign to the

international arena, garnering sympathy for the people and generating bad publicity for Shell. Ken Saro-Wiwa and the Ogoni people demanded $10 billion in compensation for damage to their environment and as compensation for lost revenues from the Nigerian government and the oil companies operating within Ogoni communities.[x] On April 30, 1993, about 10,000 Ogonis engaged in another protest march; this time the target focus was opposition to the laying of new Shell pipelines in their communities; action to be undertaken by the company's contracting firm, Willbros. Shell allegedly requested military protection for its workers, and in the course of the protest, the soldiers fired at the protesters, wounding ten people.[xi]

At the peak of his non-violent campaign, Saro-Wiwa and eight other Ogonis were arrested, and hastily tried and found guilty by a special military tribunal of masterminding the murder of four prominent Ogoni elders, and sentenced to death on October 31, 1995. The sentence immediately drew international outcry from concerned individuals and NGOs; including Earthlife Africa, Amnesty International, Friends of the Earth, Greenpeace and others.[xii]However, on November 10, 1995, Ken Saro-Wiwa and his eight co-defendants were executed by hanging. Nigeria was governed by the military dictatorship of Gen. Sanni Abacha during these events. The execution led to another round of outcries from the international community, and the suspension of Nigeria from the Commonwealth Heads of Government on November 11, 1995.[xiii] Shell was accused of complicity in the massacre of other Ogonis by government forces and the deaths of Ken Saro-Wiwa and the eight others convicted alongside him. Following the execution of Ken Saro-Wiwa and his colleagues, the Ogoni people resolved never to allow Shell to operate on their land. In Shell's Nigeria 1995 publication in reference to 'The Ogoni Issue', the company states, "allegations of environmental devastation in Ogoni and elsewhere in our operating area, are simply not true" (SPDC, 1995). The company tried to exonerate itself by stating that most of the demands of the MOSOP were "outside the business scope of oil operating companies and within the government's sphere of responsibility" (SPDC, 1995).

All attempts to reconcile the Ogoni people with Shell and to persuade them to allow the company to resume operations have proved abortive. The transition to democratic rule in the country in 1999 was accompanied by renewed efforts to resolve the standoff between the Ogoni people and Shell. In May 2005, President Obansanjo initiated another attempt at reconciliation; however, this process did not yield positive outcomes. Instead a plan evolved to replace Shell as the operator on Ogoni land. On June 4, 2008, President Yar'Adua stated that, "there was a total loss of confidence between Shell and the Ogoni people. So, another operator acceptable to the Ogoni will take over (all oil operations). Nobody is gaining from the conflict and stalemate, so this is the best solution."[xiv] The Ogonis viewed this pronouncement by the President as a victory over Shell. A year later, on June 8, 2009, Shell agreed to an out of court settlement of the lawsuits filed by the

families of Ken Saro-Wiwa and his eight colleagues to the value of $15.5 million (Pilkington, 2009).

Following the Ogoni crisis and conflicts with other community, Shell reviewed its community relations agenda and produced its first formal five-year, "Public Affairs Plan" (Human Rights Reports, 1999: 93). This plan clearly developed as a crisis response to the international and domestic pressures exerted on the company as a result of the Ogoni/MOSOP agitation. The plan entailed the expansion of the company's community assistance program. According to Shell, between 1989 and 1993 its community budget rose from U.S.$330,000 to U.S.$7.5 million; rising again to in excess of than U.S.$36 million in 1996 (SPDC, 1996). The company reportedly spent $22.9 million on community development in 2010.[xv]

5.5.2. Community Relations Problems: Total's Story

Similar to other oil and gas exploration and production companies operating in the Niger Delta, Total's activities have impacted those local communities in which their operations are located, and the reactions of the community stakeholders have been predictable. The people of Egi-land, where the company has its onshore operations are either farmers, fishermen, or hunters. Their socio-economic activities therefore, have always revolved around their land and rivers. In 1996, Total (then Elf) commenced a gas project at Obite (a community in Egi-land). The Environmental Impact Assessment (EIA) Act (Decree 86' 1992) requires oil companies to carry out an EIA if the extent or location of a proposed project or activity is likely to significantly affect the environment or nearby people. The company failed to carry out a comprehensive EIA study before initiating the Obite gas project, and this discovery drew a strong response from the Egi communities, NGOs, community based organisations and other stakeholders. This situation marked the first major conflict between the company and the people of Egi-land.[xvi]

Frustrated by the increasing deterioration of their environment, social destabilisation and worsening economic conditions, the Egi people organised a peaceful protest against the oil company in 1997. The people founded a community-based organisation called the Egi People's Environmental Action Group (EPEAG) to further pressurise the company to conduct a proper EIA for the gas plant project. The organisation led a concerted campaign with the youths of Egi-land standing against the company's environmental practices. As a result of the unflagging position of the community on the EIA issue, the company dismissed most of the youths from the local community that were working at the company in 1998. This angered them, and they seized the vehicles belonging to one of the company's subcontractors to protest their dismissal. Rather than attending to the grievances of the youths, the company alerted the state's mobile police to complain about their disruptive behaviour. The police then stormed the Obite community, arresting, detaining and torturing several youths.[xvii]

On September 21, 1998, about 5,000 women from Egi-land led another peaceful protest against the company to object to its poor treatment of the Egi people and the high-handedness of the security agents deployed by the company. Mobile policemen intervened to disperse the protesting women; an intervention that resulted in some casualties.[xviii] Following the outcome of this peaceful protest by the Egi women, thousands of Egi youths (both males and females) took to the streets to demonstrate against the activities of the company. On November 23, 1998, over 20,000 women from Egi-land led another protest against the company; this time demanding the immediate removal of one of the company's contracting staff, whom they claimed had used armed Mobile policemen to arrest, detain and torture innocent members of their communities.[xix]

Between 1998 and 2003, Total (then Elf) recorded about 32 shutdowns of its operations and blockades at its onshore site in Egi-land. These events led the company to reverse its corporate practices in Egi-land; at this point building partnerships with stakeholder communities became the new policy. The company went on to establish a sustainable development division, which offered a platform for the participation of community stakeholders in the formulation and implementation of community development programs and projects. The company gradually moved from dealing with and focusing on community members, referred to as 'producing families' because they owned the land the oil and gas was extracted from, to relating to the 'whole community' in an effort to extend the benefits of the oil wealth (Azaiki, 2006).

5.5.3. Community Relations Problems: AGIP's Story

For AGIP, it is more difficult to identify any specific community related conflict that could be said to have prompted any notable change in the company's policy on stakeholder communities. Media reports of conflicts between the company and communities are not robust enough to put together a detailed account, however, the available reports do reveal that protests and agitation of communities against the company have also taken place in relation to environmental, economic or social issues that have arisen from the company's operations. One incident recorded between the company and one of its pioneering host communities confirmed that its modus operandi in relation to protesting communities in the 1990s was similar to that of Shell and Total, as discussed in the foregoing section.

In 1969, AGIP discovered oil in a community called Ekebiri in Bayelsa State. Ekebiri community has suffered environmental degradation and loss of sources of livelihood as a consequence of oil spills resulting from AGIP's operations over a period of decades. In 1997, there was another oil spill, prompting the communities affected to demand compensation from AGIP for damages resulting from the spill. The company, however, did not respond to their demands. In early 1999, it met with members of the affected communities for discussion purposes, but still refused to pay the

compensatory sum demanded by the communities. The dialogue between the communities and the company broke down thereafter. On April 17, 1999, the affected communities went on to shut down the company's facilities that were located in their communities. The following day, AGIP went to the communities in the company of armed military personnel to re-open those facilities; as the community tried to prevent them from re-opening the facilities, military personnel accompanying company staff, opened fire on two boats conveying members of the communities who were travelling to the state capital to meet with the commissioner of police about the company. Eight community members lost their lives that day.[xx]

The cases described in the foregoing sections highlight the reactive postures of the oil companies towards the issues that surfaced amongst the local communities. The incidents described happened in the 1990s and marked the beginning of a breakdown in relations between the oil companies and stakeholder communities. A complete breakdown in community relations was observed between Shell and the Ogoni communities, Total and the Egi communities, and AGIP and Ekebiri community. The escalation of these protests indicates that the companies did not immediately attempt to address community issues or concerns. However, it has been observed that Shell and Total have since taken some steps towards changing the way they related with their stakeholder communities. One interesting observation in the above cases is the cohesiveness amongst the Ogoni people and the Egi people. Their coordinated efforts constrained Shell and Total persuading them to change their approach. The approach used by these two communities confirms Rowley's (2000) claim that stakeholders with dense ties and shared values are more coordinated, and more able to constrain a focal organisation. Taking a similar perspective, Hill and Jones (1992) have observed that collaboration between stakeholders increases their ability to influence an organisation. Against this backdrop, the main findings of this study are discussed next.

5.6.   Findings

Codes for Participants

In order to protect the identity of the participants, codes are assigned to them and these are used whenever direct quotes are provided. The assigned codes are as follows in Table 7 below.

Table 7

Participants Identification Codes

Participants	Interviews	Participant Codes
Shell	4	S1, S2, S3, S4
Total	5	T1, T2, T3, T4, T5
AGIP	5	A1, A2, A3, A4, A5
NGOs	4	NGO1, NGO2, NGO3, NGO4
Community Leaders	3	*SCL1, **TCL2, ***ACL3
Community Youth	1	CY
Total	22	

*SCL1 (Shell Community Leader), **TCL2 (Total Community Leader),
***ACL3 (AGIP Community Leader)

The themes identified during the analysis, and which are discussed in the following section are an amalgam of primary and secondary data, and are illustrated with quotations from sources to support discussions where possible.

The following major themes were identified from the pattern and structural coding analysis:

1. Effects of oil companies' activities of stakeholder communities
2. Changes in community stakeholders' expectations and perceptions
3. Community stakeholders' influence strategies
4. Stakeholder community management frameworks
5. Oil companies' engagement strategies

5.6.1. Effects of Oil Companies' Activities on Stakeholder Communities

According to Frynas (2001) the relationship between oil companies and local communities was more peaceful and cooperative in the 1960s than in the 1990s. Daukoru (2007) for his part attributed the peace and calm in the oil producing region in the 1960s and 1970s to the fact that the level of community awareness was very low. One of the NGO participants, however, believed that the peace in the region was due to the fact that the negative impacts of oil exploration were minimal then. The NGO participant is quoted below:

> "The relationships between the oil companies and the communities were cordial in the 1980s, when there was not much environmental degradation and the community people still had their sources of livelihood intact" (NGO1).

The rapid growth in the industry during the 1980s is believed to have caused major upsets in the lives of the people in the local communities. For example, the oil fields expanded in number from 78 in the 1980s to 606 by the 1990s. The implication of this growth for local communities was a rapid decline in their environmental, economic and social wellbeing (Idemudia and Ite, 2006). The impacts of oil exploration activities on local communities are discussed in detail in the following section.

5.6.1.1. Environmental Issues

Issues related to oil pollution and gas flaring have frequently been cited as the most formidable challenge confronting environmental sustainability and the people of the Niger Delta region. Oil spillage, pollution and other consequences of oil exploration on the environment are daily occurrences (Ejituwu and Enemugwem, 2007). Between 1976 and 1996, there were a total of 4,835 incidences of oil spillage, of at least 2,446,322 barrels (102.7 million US gallons), of which an estimated 77 per cent were lost to the environment (Ogri, 2001; Adenikinju, 2002; Ojefia, 2004). Other causes of environmental change become insignificant when pitched against the consequences of the oil spills and gas flaring that occurs on a daily basis in the Niger Delta (Jike, 2004).

In August 2011, the United Nations Environment Program (UNEP) produced a report on the environmental impact of Shell's operations in Ogoni communities in the Niger Delta region of Nigeria. UNEP reported that the company's many years of oil exploration activities have resulted in so much environmental degradation that it will take up to 30 years for the heavily impacted mangrove stands and swamplands to be restored.[xxi] It has been argued that the issues pertaining to environmental degradation arose partly as a result of government failure to effectively regulate the oil industry and its externalities, in combination with the pursuit of self-serving, cost cutting policies by the oil companies (Ibeanu, 2000). Studies have shown that those areas that are constantly exposed to repeated or consistent spills or leaks, like the Niger Delta, frequently exhibit the consequences of long-term environmental problems, as oil spills cause permanent damage to both flora and fauna (Omoweh, 2005). Environmental problems that have been linked to oil and gas exploration and production activities include, "flooding and coastal erosion, sedimentation and siltation, degradation and depletion of water and coastal resources, land degradation, air pollution, biodiversity depletion, noise and light pollution, and low agricultural production" (Human Rights Watch Report, 1999: 54).

5.6.1.2. Economic Issues

Research carried out for Shell in its areas of operation in the Niger Delta found that "84 per cent of the respondents felt that oil company activities adversely affected the economies of the host communities and 69% felt that there was high level of deprivation and neglect" (NDES, 1994: 226). The production system and the economy of the Niger Delta region is subsistence level; that is, the people subsist on agriculture, with farming and fishing engaging about 80% of the region's total labour force (Omoweh, 2005). Oil spills have greatly jeopardised these occupations and therefore the livelihood of community members; this has indirectly fuelled competition between community members for the scarce arable land that exists (Okoh, 1996).

It is typically high-pressure pipelines that leak; as a result of this pressure the oil spurts out over a wide area, destroying crops, artificial fish ponds used for fish farming, "economic trees" (that is, economically valuable trees, including those growing 'wild' but owned by particular families) and other income generating assets. Even a small leak can wipe out a year's food supply for a family, also wiping out income generated from those products that would have otherwise been sold for cash (Human Rights Watch Report, 1999). In addition, environmental change as a result of oil exploration and exploitation in the Niger Delta has made sustaining livelihoods via traditional means untenable with no ready alternative. Okorobia (2007) observed that increased water traffic, involving movement of heavy equipment and machinery, along the waterways leading to various oil/gas fields has resulted in aggravation of shore erosion, and disrupted fishing activities. The loss of substantial hectares of rich deltaic vegetation (mangrove/rainforest) to deforestation, carried out to make way for pipelines, platforms, wellheads, flow stations, and other oil facilities is a major economic cost borne by the local people (Okorobia, 2007). The following quote obtained from an interview with the community leader from one of AGIP's host communities confirms the observation made by Okorobia (2007):

> "These pipelines have devastated even the small land that is remaining for us for development. It is very disruptive, but we cannot do anything about it, the pipelines have to pass through the community" (ACL3).

The community leader, who took the researcher on a tour around the community, pointed out exposed oil and gas pipelines in the middle of the community, indicating the danger being posed to the people. According to the community leader, exposed gas pipelines pose the greatest threat to people, because it is difficult to detect when there is a leak, unlike crude oil that can be seen when there is a spill. The community leader further revealed:

> "The source of the river has been blocked by chemicals from oil, so the river here is no longer flowing, it is now dead. That river used to be a source of fish for us, but the fishes have swum away because the water is now shallow and filled with water hyacinth. No fish can live in such pollution" (ACL3).

5.6.1.3. Social Issues

The loss of farmland and waterways to oil exploration and production activities is believed to have left a large number of people within the community with no sustainable sources of livelihood (Azaiki, 2003). The problem of unemployment in the region is viewed as the social factor that puts the greatest strain on the relationship between the oil companies and the local communities (Azaiki, 2003). The people expect, and frequently demand to be employed by the oil companies, but for the most part, lack the requisite skills for employment. Youth unemployment in the Niger Delta is said to be the highest in the country (Ibeanu, 2002). Consequently, a huge number of youths roam the streets feeling alienated and powerless; waiting for an opportunity to get even

with the larger polity given the slightest provocation. It is also believed that unemployment is one of the factors that has driven youth activism, militancy and rebelliousness, a common phenomenon in the Niger Delta. Joblessness and militancy have made oil theft ('oil bunkering') a professional occupation for many youths in the region (Azaiki, 2003).

The realisation by the local communities that oil is a finite resource, given the experience of the Oloibori community where oil was first explored, is believed to have triggered a sense of urgency (Ibeanu, 2000). The inhabitants of Oloibiri, a community, which was once a major hub for oil production, now live a solitary and depressed life with no electricity, poor roads and no pipe-borne water. The only reminder that oil was drilled from the community is the presence of abandoned pipes and oil exploration equipment at the numerous sites that served as oil wells and flow-stations and the continuing infertility of the land (Okoh 1996). With the history of the Oloibiri before them, other oil producing communities and stakeholder communities, have increasingly became less willing to sit it out and are instead opting to take their future into their hands, making confrontation with the oil companies an inevitable outcome. It can therefore be argued that economic and social issues find their roots in the environmental problems arising from oil exploration and production activities.

5.6.2. Changes in Community Stakeholders' Expectations and Perceptions

The discovery of oil in Oloibiri in 1958 was a welcomed development, and held promises of growth and development for the country in general and a better life for local communities in particular. The evidence, however, suggests that expectations for a better life gradually turned into a struggle for survival for the local communities. As the discussions in the foregoing sections have revealed; increased oil activities, and the attendant devastation of the physical environment upon which the local people depend for their livelihood, put a strain on the relationship between the oil companies and the local communities, resulting in mass protests in the 1990s. Frynas (2001) has also observed that recent changes in the relationship between the oil companies and the communities have occurred as a result of the cumulative effects of oil production, and the widespread sense of deprivation and poverty in the local communities. The findings suggest that as the people from these local communities became more aware of (and exposed to) the other parts of their country that have become developed, and came to understand that the oil from their land was responsible for the development they saw, a feeling of discontent and resentment towards the oil companies grew. One community participant pointed out:

> "The money that is coming out of this community through crude oil and the development you see in the community is not something that makes anyone happy. If you go inside the community, you won't believe the level of poverty you will see there" (ACL3).

This comment indicates that there is a gap in community expectations that has not been filled. Taking into consideration the oil revenue that accrues to the country as a result of the activities of oil companies in this particular community, the high incidence of poverty observed is becoming an issue fuelling resentment towards not just the oil companies, but also to the Federal Government, which receives and distributes the oil revenues.

Participants from the oil companies believe that the more the people from these oil-producing communities became exposed to and knowledgeable about the oil industry the greater were their expectations. The following quote was drawn from an interview with a participant from Shell:

> "For us in the company the challenge is that as people get more educated, and have more grandiose or real ideas of what ought to be, they impose them on us" (S2).

Another participant from Shell added:

> "The perspective of people in communities has changed, it is more about what they can get from the oil companies" (S4).

Changes in the perspectives and expectations of people from the oil communities seem to have been influenced by a combination of prolonged exposure and education. As observed by Daukoru (2007), awareness has changed the way the local communities perceive the companies. The evidence suggests that the expectations of the local communities changed as they observed the negative impacts of oil activities on their environmental, economic, and social wellbeing. This finding further highlights the nature of the relationship between stakeholder issues and stakeholder expectations, and stakeholder expectations and perception observed in the quantitative study. While the statistical tests did not show a significant positive correlation between stakeholder issues and company-stakeholder relationship, the foregoing suggests that there might be a relationship between these components, as the consequences of oil operations are believe to have affected the relationships between the communities and the companies. Also exposure and education seems to be factors influencing the perception of the people and consequently their expectations of the companies The next section identifies specific actions local community stakeholders have taken in an attempt to influence the behaviour of the oil companies in their favour.

5.6.3. Community Stakeholders' Influence Strategies

Freeman's (1984) definition of a stakeholder as "any group or individual who can affect or is affected by the achievement of an organisation's objective" makes two important points, first that stakeholders are those who can affect the achievement of organisational objectives, and second, they are those who are affected by the achievement of organisational objectives. The preceding sections discussed the effects of oil exploration and production activities on stakeholder communities, and the resultant changes in their expectations and perceptions vis-à-vis the

companies. This section identifies and discusses some actions community stakeholders have taken against the oil companies, and which have in many ways affected the strategic objectives of those companies.

Following on from the mixed results of peaceful protest discussed above, the findings suggest that in the last few years, stakeholder communities have come to view damaging strategies (Friedman and Miles, 2006) to be the most effective. Principally because companies have tended to respond more to these strategies, particularly when they affect their operations. The following were identified as the most frequent strategies community stakeholders have employed, and which seem to have had some measure of influence on the behaviour of the companies: barricades and blockades, vandalism and destruction of oil facilities. Some cases and examples of the use of these influential strategies by stakeholder communities are discussed below.

5.6.3.1. Barricades and Blockades

The evidence gathered revealed that community stakeholders including women and children have often prevented oil company staff and equipment from accessing company facilities such as flow stations, oil rigs, oil wells or oil spill sites to protest or make demands on the companies. These blockades sometimes take place within the communities, away from sites protected by armed security forces. For example, in 2007, a group of women from the Idheze community in Isoko land in Delta State shut down the oil facilities of the AGIP because the company failed to pay promised compensation for damages caused by chemical/waste fluid that the firm had flushed into the community.[xxii]

It was reported that the women carried placards, barricaded the main entrance of the company's facilities and turned back all workers. Some of the placards bore inscriptions such as: "We are tired of the inhuman treatment of NAOC (AGIP)", "We will continue to disrupt your activities until you meet our demands", "Pay compensation for the chemical/waste fluid you have used to pollute our land." "We are peace-loving people and knowing that AGIP has been deceiving us, we wouldn't want anything that will be detrimental this time to our people and so until the company's management responds to our demand, we will not vacate the premises".[xxiii]

According to one participant from AGIP:

> "They (community stakeholders) write letters to the company whenever they have issues with the company. When they don't get the company's attention, they blockade, shut down our wells, and seize our vehicles; community people believe that whenever they blockade us, that is when they get our attention" (A1).

This implies that the company ignores community stakeholders when they use less threatening approaches, thus creating an atmosphere in which community stakeholders are more likely to

resort to actions that might affect the operations of the company. This statement also confirms AGIP's reactive posture to stakeholder issues, as identified in the quantitative study.

One NGO participant noted the influence of community stakeholder actions on oil companies:

> "The communities know that they have the power to disrupt the operations of the oil companies and the oil companies have experienced them doing so. So when a community threatens an oil company, the company doesn't take it lightly, they know that the community can make good their threat, so that keeps the oil companies on their toes" (NGO1).

The NGO participant further commented that:

> "Some of these oil companies don't do things for the communities because they actually want to do them, they do them because they feel there is a threat, and that kind of relationship is fragile" (NGO1).

One of the participants the researcher interviewed from Shell described the events that led to the development of the company's current community relationship management framework, the GMoU. According to the participant, in 2004, a host community called Kula in Rivers State, shut down the company's facilities to demonstrate their discontent with the company. In his words:

> "When they shut down the facilities, they barricaded the place, women, children and men; all barricaded the area, making it difficult for us to access the site" (S1).

Barricade and blockade strategies are believed to be effective because the facilities of the oil companies are located in or within close proximity to the communities, and thus accessible to community people. The involvement of women and children in barricade and blockade activities also appears to be a strategic move on the part of the communities.

5.6.3.2. Vandalism and Destruction of Oil Facilities

With the emergence of a militant group called the Movement for the Emancipation of the Niger Delta (MEND) in 2005, the destruction of oil facilities took on a new dimension. In June 2009, the MEND, which often claimed responsibility for major attacks, attacked two facilities, including oil pipelines and a shallow-water offshore field belonging to SPDC in Rivers State, and AGIP facilities in Bayelsa State. The country's crude oil production of 2million bpd dropped to below 1.3 million bpd as a result of the attacks propagated by MEND (This Day 2009).[xxiv]

In the light of these major disruptions to oil production in the industry by this militant group, the researcher asked the different participants in the study if militant activities had influenced the way the oil companies related with the stakeholder communities. Interestingly, participants from the oil companies claimed that the strategies adopted by the militant group did not have any particular

influence on their relationships with the stakeholder community. However, the NGOs and community leaders saw things differently. One NGO participant stated:

> "At some level, it has engendered some mutual respect. Before now the community people didn't have a place in the matters of the oil industry. Even the government didn't care what happened to the people; the same way, the oil companies also didn't care about what happened to the people. But with the guns now, well, I think everyone has kind of woken up from their slumber. They are now more attentive" (NGO 4).

The community leader at one of Shell's host communities expressed a similar sentiment:

> "The people have being making demands, give us more states, or let us control our oil, but nobody was listening... the people decided to use violence, and I think it is working. It has worked a lot, because now the government is focusing on the Niger Delta" (SCL1).

According to an NGO participant:

> "Militancy is a coping strategy that people from oil producing communities devised. They acquired power through arms, and that has gotten the attention of the government and the oil companies who have ignored them for decades. Community people are able to stand up to these oil companies because of this militancy. Militancy has helped a lot of communities to shift from 'I beg' to 'I demand'" (NGO2).

However, one of the participants from Shell commented:

> "No, it has not. The relationship has always been there and has been evolving and developing and we have been working on it" (S1).

Interestingly, the community leader from AGIP's host community was of the view that the oil companies and government preferred rewarding violence, pointing out that communities that disrupt oil operations have generally received more attention. A similar observation was made by Zalik, (2004:413), who stated that 'resort to violence is in most cases the peoples' only effective means of gaining an audience with or provoking the attention of an oil company." Omeje (2006: 90) also observed that volatile communities tend to attract development projects because the companies "need to more urgently appease them, while the peaceful communities are ironically sometimes neglected". The community leader confirmed this observation:

> "Am telling you, throughout that period of militancy, it was calm here, but in other places, the people will go and blow a whole flow station and it will be there for months, and they (oil companies) will also pay big money and beg to repair it. It is not like that in this community. This community never vandalise oil pipeline, or even stopped oil workers from working" (ACL3).

The community leader explained that his people were naturally peaceful, and preferred to resolve issues through dialogue. The researcher asked one of the participants at AGIP if the reason the

company recorded minimal disturbances in that particular community was because the people were 'naturally peaceful'. The AGIP participant laughed and said:

> 'The only reason they don't cause trouble for us is because of the geographic location of the community. The community can be accessed by land, air and water, and if they make noise, the security forces will be all over them in a heartbeat" (A1).

This statement of course suggests that the company relies on security operatives to keep the peace in certain communities if there are opportunities to do so.

The community leader from the Total's host community, who participated in this study, pointed out that his community people were also peace-loving people, and have hardly had any cause to be confrontational with the company in recent times. The claim made by the community leader was confirmed by one of the participants from Total:

> "Amongst all the oil companies, Total, is the only one that has a peaceful environment to operate. With all these youth restiveness and so on, it is not very common with us. We are really trying for our communities and they appreciate it. They really hold Total to high esteem" (T2).

With extensive onshore operations, it is however not surprising that Shell and AGIP seem to be more vulnerable to attacks from aggrieved community stakeholders. Shell has over 1000 stakeholder communities, and AGIP has about 300, Total on the other hand has less than 30 stakeholder communities.

5.6.4. Stakeholder Community Management Frameworks

5.6.4.1. Stakeholder community identification

Stakeholder prioritisation must first occur before a firm can develop and execute a stakeholder management plan (Preble, 2005). The need for prioritisation is based on contextual factors such as the type of demands a stakeholder group puts on a firm, how the demand is presented, the power of the stakeholder group to influence the firm, the legitimacy and urgency of their demands, and the difficulty of meeting these demands (Mitchell et al., 1997, Prior, 2007). Different firms use different criteria to determine who their stakeholders are and to choose those they wish to pay the most attention to. As observed in the quantitative study, even firms in the same industry, confronted with similar external business environment, identify and prioritise stakeholders differently to some extent. However, it was found that over 80% of respondents from the three companies identified 'host communities' amongst the most important stakeholders; with 50% of respondents from Total identifying 'impacted communities', and less than 40% across the three companies identifying transit communities. From discussions with the participants from the companies and documentary evidence, the following categories of stakeholder communities were identified for each of the companies:

⬩ Total's Stakeholder Community Map

Total identified the following as stakeholder communities:

Host communities: these are the communities on whose land the company produces oil and gas, and has wells and/or oil and gas production facilities, offices or housing facilities.

Ethnic communities: these are the communities which are of the same ethnic nationalities as the company's host communities, but which have none of the company's facilities on their land, nor are they directly affected by the company's operations.

Impacted communities: these are the communities located around the coastline where the company has its offshore (near shore and deep offshore) operations, and so are likely to be affected in the event of an oil spill at the company's offshore locations.

Transit communities: these are communities through which the company's gas or oil pipelines pass.

⬩ Shell's Stakeholder Community Map

Shell identified the following as stakeholder communities, and used the phrase 'whole communities' to encompass all of them:

Host communities: are the communities with oil and gas wells, and which host the company's facilities.

Transit communities: these are the communities through which the company's gas or oil pipelines pass.

Impacted communities: are the communities that have neither oil wells and facilities nor pipelines running through them, but which may be affected by the operations of the company because they are situated close to exploration or production sites.

⬩ AGIP's Stakeholder Community Map

The following stakeholder communities were identified:

Host communities: these are the communities in which the company produces oil or gas.

Transit communities: these are communities through which pipelines conveying oil and gas pass.

From the above it is evident that Total has a broader map of stakeholder communities when compared to Shell and AGIP. The company's broad definition of stakeholder communities takes into consideration communities that might be affected by their operations, as well as those that may not necessarily have any legitimate claims on compensation from the company. Shell claims to take into consideration those who can affect them, as well as those who are affected by them. AGIP's conception is much narrower, recognising just host communities and transit communities, and omitting consideration of impacted communities. In other words, AGIP is more interested in stakeholders that can affect them. One participant from AGIP defended this narrow stakeholder community map by pointing out that any kind of relationship with communities costs money and

the company does not have enough to go round; thus it narrows its stakeholder communities to just those it has oil and gas investments in, and only considers some transit communities when it is absolutely necessary to do so. This revelation confirms Jawahar and McLaughlin's (2001) observation that finite resources and other business concerns to a large extent influence corporate decisions, including those that have to do with corporate social performance. The results of the quantitative analysis suggested that there is a difference between Shell and Total in terms of stakeholder salience. Further evidence gathered in the qualitative study, confirms that the two companies possibly have different criteria for determining what constitutes stakeholder salience. It is interesting that the quantitative result did not reveal any difference between AGIP and Shell or AGIP and Total in relation to stakeholder salience. From the stakeholder community identification discussed above, there is an obvious difference between AGIP and Total. Meanwhile, Total and Shell are quite similar, in that both of them consider not only stakeholder communities that can affect then, but also those who might be affected by their operations.

The discussion now turns to the frameworks the companies have devised and deployed in their attempt to manage the demands, and expectations of stakeholder communities. Freeman (1984) described stakeholder management as the processes and techniques firms put in place to manage their relationships with specific stakeholders. The evidence gathered shows that the policies and practices the companies have developed and employed to manage their relationships with stakeholder communities have evolved through the years, changing with their changing needs and interests, and with the shifting demands from stakeholder communities. These have been driven by the actions of the stakeholder communities, some of which were identified and discussed in previous sections. They have hardly been externally motivated. This evolutionary trend in stakeholder management practices was captured by Shell in the following statement:

> "Over the years, SPDC has adapted and improved how it engages with local communities to deliver projects. In 2006, we introduced a new way of working with communities called the Global Memorandum of Understanding (GMoU)" (SPDC, 2010).

Total also alluded to a change in its approach:

> "The Sustainable Development Division was re-engineered in August 2007, and new structures were put in place to implement a new vision of delivering development to host communities (Total CSR, 2008, p. 37).

The following section identifies and discusses the stakeholder community management frameworks that the case companies have used in the past and are using at present.

5.6.4.2. Community Assistance: Discretionary CSR Approach

Community assistance (CA) was the strategy the oil companies pursued from the 1960s to about 1997 (Ite, 2007a). CA mostly involved demonstrating corporate philanthropy, whereby the

companies used their discretion in providing assistance to the local communities. The CA approach used by the oil companies is an example of 'discretionary/philanthropic responsibility' Carroll (1979) proposed in his corporate social responsibility (CSR) pyramid, which encouraged corporations to voluntarily give back to the communities as a demonstration of good citizenship. In Mitchell et al.'s (1997) model, stakeholders that are perceived by firms as possessing just the stakeholder identifying attribute of 'legitimacy' are usually the recipients of discretionary corporate social responsibility. Legitimate stakeholders are described as 'discretionary' stakeholders, and fall into the 'latent stakeholder' category of Mitchell et al.'s (1997) model. Host communities were thus the main beneficiaries of the philanthropic gestures of the companies. The companies gave donations to the communities, established agricultural extension programs to boost farming activities in local communities; installed water facilities, and provided scholarships. One participant from Shell recalled:

> "We used to do community assistance, where we go and look at a community and if we observe that the people don't have drinking water, we give water, or community people write us to say that they need a classroom block, we build, and so on" (S1).

The findings suggest that the community assistance approach was more or less based on the companies' perceptions of what the local communities needed, and driven by the obvious poverty and absence of basic amenities in these communities. With this approach, local communities became passive recipients of the kind gestures of the companies over a period of time. Gradually, however, the stakeholder communities evolved from being passive recipients of donations and other forms of community assistance to become active agitators, expecting and demanding 'development' at the oil companies' expense. As stakeholder communities evolved from a passive state into a more active one, the companies changed their stakeholder community management framework accordingly. Thus, based on the demands for community development, the companies devised the community development framework, which is discussed next.

5.6.4.3. Community Development: Strategic Approach

The gradual loss of sources of livelihood to oil operations resulted in frustrations amongst community members, and they started demanding to be compensated for environmental degradation, and loss of sources of their livelihood. These demands were backed by mass protests against the oil companies.[3] The findings suggest that as communities increased pressure on the companies, and threatened their operations, the companies were forced into a rethink, which led them to produce the community development (CD) framework. The companies began to move from a community assistance approach into community development from 1998 onwards (Ite, 2007). As noted by Mitchell et al. (1997: 876), stakeholders with legitimate claims and power can

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[3] See sections 5.5.1 and section 5.5.3

influence firms, and will 'matter' to managers, and so they are likely to become more responsive to them.

One of the objectives of the CD approach was to reduce community dependency on the companies. The findings, however, suggest that rather than involving a larger segment of community members in the development and implementation of community development projects, the companies gave community development contracts to preferred community members to execute. Thus, the community development strategy became another top-down approach to managing relationships with communities. Because the needs and expectations of the communities did not drive the process, community development projects were perceived as 'company projects'. For example, it was expected that if a company installed a facility in a community and it developed a fault, the community would not be responsible for attempting to fix the problem, the company would be. The dependency culture can be seen to have persisted with the community development approach. The main difference between the community assistance approach and the community development framework is that the oil companies and several community members negotiated and agreed on what the oil companies would do for the communities, and in return the communities were expected to allow the companies to operate in peace; with a memorandum of understanding (MoU) signed to this effect. It is important to point out that the MoU is not a legal document; it is more akin to a 'gentlemen's agreement' on paper.

The companies began with yearly MoUs, that is, the MoUs were valid for one year. With the MoUs, the companies hoped to achieve a win-win outcome for the communities and themselves. This shift from community assistance to community development based on MoUs can be viewed as the first step by the oil companies to employ a more strategic approach to managing stakeholder community relations; a clear departure from the philanthropic gestures that drove the community assistance approach. The evidence suggests that the needs stakeholder communities did not expect, or even demand the oil companies to meet in the community assistance era, became the focal point in the community development phase. Thus it can be argued that the change from discretionary/latent stakeholders to dependent/expectant stakeholders drove the community development approach. The following statement by Shell, which was found in the company's CSR report, confirms the strategic thrust of their stakeholder community management agenda:

> "In Nigeria, we are committed to social responsibility... We work with local organisations around our operations to be aware of their concerns and to ensure that the benefits of Shell's resources feed through to local communities and businesses. The aim is the, "Creation of a better socio-economic environment in line with our social responsibility. It represents a proactive development program by SPDC as a responsible corporate citizen to earn its License-to-Operate " (SPDC, 2005, p. 13).

The above statement by Shell suggests that the focus is on the distribution of benefits to communities in order to gain social acceptance. The statement by Total below, in contrast, suggests that the company is more inclined towards building relationships with stakeholder communities.

> "…With effective communication and commitment to long-lasting development projects, we have been able to build up the harmonious relations that characterize our association with host communities."[xxv]

AGIP also makes a similar assertion:

> "Over the years, Eni (NAOC) and its joint venture partners have been actively involved in promoting the socio-economic well-being of the communities in the Niger Delta in collaboration with local authorities. The company has always been committed to establishing fruitful relations and a constructive dialogue with about 300 communities, identifying their needs and aspirations and subsequently finding effective ways to address them."[xxvi]

The SPDC report (2005) described the MoU arrangement as an important tool when working with communities. The oil company sees MoUs as enabling it to deliver development to local communities, while simultaneously securing and maintaining the company's license to operate. The yearly MoUs were, however, fraught with a number of problems. One of the NGO participants who worked with Shell to facilitate the execution of its MoUs pointed out some of these problems. According to the participants, influential community members, who were seeking contracts to enrich themselves drove the signing of MoUs. The NGO participant was also of the view that the companies sometimes signed MoUs with the communities to enable them carry out their operations, with no intention to delivering on the promise in the MoU.

It was gathered that the communities affected by Total, presented the company with a 'shopping list' of what they wanted it to do for them; from this list the company selected projects they felt able to execute, and then used their discretion in the implementation of the approved projects. A similar trend was observed from AGIP as well. Since the companies were responsible for managing the whole community development process, they decided who executed what projects in the communities. Although, in principle, the community development approach was aimed at empowering the communities, the evidence suggests that in practice, it became a tool used by the companies to control outcomes.

The main drawback of the MoUs under the community development framework was that they were undertaken for a period of one year only. It was gathered that the process leading up to the actual signing of a MoU could last for months because of conflicts within and amongst those communities seeking to execute the community development projects. One NGO participant explained that by the time conflicts have been finally resolved, the MoU tenure may have elapsed,

and the funds the companies and the joint venture partners have set aside for community development are then returned to the National Petroleum Investment Management Services (NAPIMS), which is the upstream arm of the NNPC. The NAPIMS oversees the government's investments in the joint venture producing companies. Thus, the companies could not deliver on most of their promises to the communities. Most of the participants viewed the CD framework as mostly unsuccessful. The findings suggest that the inability of the companies to deliver on the terms of the MoU agreements created further tension between them and the communities. Furthermore, it was gathered that over time the community development strategy became too burdensome for the companies. With minimal community involvement, the companies found themselves undertaking more than they bargained for. Indeed, the inability of the companies to sustain or manage the execution of these social intervention projects confirms Friedman's (1970) argument that businesses are not equipped to handle social activities, as firms and managers are heavily oriented towards corporate financial performance and do not have the necessary expertise (social skills) to make the necessary social decisions. Thus, following the failure of the community development strategy to deliver the desired outcomes, the companies developed a new framework known as 'sustainable community development'.

5.6.4.4. Sustainable Community Development: Collaborative Approach

The evidence suggests that following the failure of the yearly MoU agreements, the relationship between the companies and the communities deteriorated further as the yearly MoUs became synonymous with broken promises and unmet expectations. In response to their deteriorating relationship with stakeholder communities, the companies devised the sustainable community development (SCD) strategy in 2004 (Ite, 2007; NAOC, 2005, SPDC, 2005), which was also based on MoU agreements. The two most significant improvements to the MoU under the sustainable development approach are that, (1) the communities themselves decide on projects and their implementation, and (2) the MoU tenure is increased from one year to between 3-5 years.

The SCD is currently the framework being used by the three case study companies to manage the diverse needs and demands of the stakeholder communities. The MoUs are also used as tools for community engagement as they define and regulate the terms of the relationship between the company and the communities (NAOC, 2005, SPDC, 2005); they also provide the enabling environment the companies seek. The following quotes from participants from Total confirm this:

> "We entered into MoU, to at least enable the company to have an enabling environment to operate" (T2).

Another participant from Total added:

> "To appease the communities, or to gain entrance to do our business, we give these communities infrastructures" (T3).

The discussion now turns to how the three companies implement their SCD strategies; highlighting the differences in their approaches, and the implications for their relationships with the stakeholder communities.

5.6.4.4.1. *Sustainable Community Development: The Shell Way*

Under the SCD paradigm, Shell renamed its MoU agreement the Global Memorandum of Understanding (GMoU). According to the company: "These Global MoUs constitute a key step in improving stakeholder relations and provides structure for identifying and carrying out projects in communities within agreed budget" (SPDC 2006, p. 26).

The GMoU is an agreement between Shell (including joint venture partners), the government, and groups of communities (clustered together) within a geographic operational area of the company. The agreement specifies the company's role and its responsibility towards the communities, the related benefits to the communities in terms of development over a five-year period, and the responsibilities of the communities towards the company. The evidence showed that local communities are grouped together to form a cluster on the basis of historical affiliations, or according to local government areas as approved by the state government. According to one participant from the company:

> "Right now, with the GMoU, instead of concentrating on just oil producing communities, transit communities and impacted communities are included. We now use the concept of whole communities within our areas of operations. So a community can be in the GMoU without really producing anything, but the fact that you are located around our operations, you get something out of the GMoU" (S1).

The participant further explained that the concept of 'whole community' had grown out of the company's experience with the Ogoni communities in the 1990s. The following quote from the sheds some light on this:

> "Ken Saro-Wiwa, who caused the entire problem, his community does not produce oil. Did his community have any drop of oil? No! But he championed the cause of the Ogoni people. So you don't just neglect a community because they are not producing oil. The people that were producing oil in Ogoni, didn't push as much as the guys who were at the periphery" (S1).

Previously, the company had only focused its attention on the communities in Ogoni land which had oil wells. The findings indicates that the collective approach of the Ogoni people in the 1990s,

whereby even communities that did not have oil joined forces with those that did, made them a formidable force against Shell. Rowley (1997) notes that, "how stakeholders affects firms and how firms respond to these influences will depend on the network of stakeholders surrounding the relationship." He further asserted that stakeholder networks with dense ties, shared behaviours and values, are coordinated and more easily form coalitions, thus being able to constrain the focal organisation more effectively (Rowley, 1997). In other words, a coordinated and close-knitted stakeholder group with a common cause can prevail against a target firm.

Shell views its GMoU framework as a "well-planned model for developing and relating with communities" (SPDC, 2009). It claims that the GMoU "enables communities to take charge of their own development, which includes identifying, planning and implementation of projects" (SPDC, 2009). Shell's GMoU involves a cluster of different communities; Shell and joint venture partners, Donor Agencies, Government (State and Local), the NDDC[4], and Civil Society Organisations (NGOs) (SPDC, 2009). The framework was based on the company's multi-sector partnership agenda, which is believed to offer a more effective approach to sustainable community development (Amadi and Abdullah, 2011, Ite, 2007b), having recognised that it does not have the expertise (Nikkhah and Bin Redzuan, 2010) to address the development challenge posed by its stakeholder communities (Ite, 2006), particularly in view of the failure of the community development approach discussed in the preceding section. One of the NGO participants, however, believed that the company's GMoU framework was too bureaucratic and often failed to achieve its desired purpose. The quote below was obtained during an interview with the NGO participant:

> "In principle the GMoUs are good, but I would say that like anything else, it becomes highly bureaucratic on so many levels. Between the time the money for the GMoU is made available and the time it reaches the communities to do any good can be months and years; so, much of the money gets lost in bureaucratic systems before it actually reaches the communities" (NGO3).

There is a mainstream GMoU arrangement, which deals with general stakeholder community issues, and then there is the Project GMoU, which focuses on the delivery of specified community development projects. This study focused on the Project GMoU framework because of its focus on community development. Each Project GMoU has cluster development boards (CBDs), which coordinate the GMoU process alongside the NGOs employed by the company. Nominated or elected community members represent their communities in the CBDs. There are two project advisory committees (PAC1 and PAC2) in the CDB, headed by state and local government officials. State government officials head PAC1, while PAC2 is under the supervision of local

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[4]The NNDC is a government development agency set up with the sole responsibility of facilitating development in the oil producing Niger Delta region.

government chairmen, who are notorious for misappropriating the funds provided by the federal government for community development purposes.

The communities that make up a cluster identify the projects they need and send their project proposal to the chairman of PAC2, who evaluates the costs of the project, and then forwards it to the head of PAC1 for approval. According to the community leader who was interviewed to represent Shell's host community:

> "The people who make up PAC1 are more influential than those of PAC2; they are the ones that approve the projects we send through PAC2, and then they send the final version to Shell. Shell then shares the money budgeted for the cluster group" (SCL1).

The official position of Shell in its GMoU briefing note (SPDC, 2009), states that the communities involved, control the GMoU process, with the company and government acting as facilitators. According to one participant from the company:

> "For the GMoU, the NGOs are involved; they are more or less the ones that are mentoring the communities in their development agendas" (S1).

This explains why 63.2% of the respondents from Shell identified NGOs as amongst the most important stakeholder group in the quantitative study.[5] NGOs are an intricate part of the company's sustainable community development strategy. However, the community leader for Shell's host community appears not to appreciate the involvement of the NGOs in the GMoU process. The quote below was obtained from an interview conducted with the community leader:

> "I was not told that there was going to be an NGO to assist Shell monitor projects. It was not spelt out to me, because up till now I have not been privileged to have the full document of the GMoU that I signed. The government and the Shell people abused the GMoU, because instead of dealing directly with the paramount rulers, they lured in the NGOs, which have cheated my community" (SCL1).

While the community leader from Shell's host community views the involvement of NGOs in the GMoU process as an encumbrance, two NGO participants believe that the involvement of government officials in the GMoU arrangement complicates the process. One of the NGO participants observes that:

> "There is a lot of delay in project delivery because of government's involvement" (NGO3).

And the second NGO participant noted that:

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[5] See section 5.3.1

"They (Shell) also have government agents as part of the cluster board, and you know what that means… it gets complex, it is no longer an entirely community driven process. Too many stakeholders are involved in the process" (NGO2).

Another complex aspect of Shell's GMoU framework is the merging of communities into what they refer to as 'cluster groups' to facilitate the development and implementation of Project GMoUs. Some of the participants viewed the merging of diverse communities as a source of conflict amongst stakeholder communities. The findings indicates that the idea of lumping stakeholder communities into cluster groups is particularly unwelcomed by stakeholders from host communities (oil producing communities), who claim informal rights to, or ownership of, the oil on their land, in spite of the Petroleum Act.[6] The NGO participants who facilitate and monitor the implementation of Shell's GMoU explained that:

"We are facilitating the negotiation of 16 communities from two clans, consisting of host and transit communities, but there is contention from the host communities that they should not be brought under the same umbrella as the transit communities" (NGO2).

One participant from Shell also made a similar observation:

"Communities generally express their unwillingness to be joined with some particular communities to form clusters, preferring to be on their own. We don't force them to work together, but we point out to them that it is better for them to work together than to maintain separate political affiliations" (S1).

Interestingly, another participant from the company observed that in the GMoU cluster arrangement, some of the bigger communities; those with more influential personalities, sometimes oppressed the smaller communities in their cluster groups, with the bigger communities appropriating the majority of the benefits for themselves. In spite of the potential threat of conflict amongst stakeholder communities, the company insists on the formation of clusters. The evidence indicates that the company signs the GMoU agreements only on the condition that all the communities in the proposed cluster group agree. The findings revealed that the cluster arrangement has enabled the company to compress its 1000 stakeholder communities into 67 cluster groups. However, one of the participants from the company revealed that of the 67 clusters, only 16 are functional. The small number of functional clusters is attributed to the lack of funds, disagreement amongst communities, and the company's operational plans.

In spite of the challenges affecting the cluster arrangement, the NGO participant who works with the company on its GMoUs was of the view that the framework was a great improvement compared to the one-year MoU. For example, the funds provided for community development projects are lodged in a community account, and the signatories to the account are Shell, a community representative and a government representative. So in principle, the GMoU framework

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[6]See section 3.1.1.1

is designed to also enable transparency and accountability; whether this is the case in practice is difficult to say. The NGO participant also made the following observation about the GMoU:

> "One thing about the GMoU is that it helps the company to also shift the responsibility of relationship management to the communities. Now there are community structures in place, so rather than engage the whole community, the oil company could just call the cluster board and ask them - "what is happening to your community? We are fulfilling our obligations, so produce the enabling environment for us to operate"(SCL1).

The above observation is an important objective of the GMoU, but somewhat contradictory, because the evidence indicates that the company seeks and receives feedback from the government officials on the cluster board and the NGOs, rather than directly from the communities. The responsibility of relationship management is thus taken away from the communities. The findings suggest that the communities do not have as much control over the GMoU process or their development aspirations as the company claims. In fact, based on the statement made by the community leader, one can infer that the state government officials, who head PAC1, are also the ones who decide what the communities can or cannot have.

Shell's GMoU implementation strategy explains why most respondents identified the government and NGOs as amongst the most important stakeholders in the quantitative study. The evidence suggests that the government officials in the cluster development board and the NGOs manage the community relations on behalf of the company, which seems to defeat the company's objective of improving relationships with communities. One of the NGO participants made the following observation:

> "With the GMoU, the company doesn't have a direct link with the communities; they meet with the cluster boards. I think it is superficial. Once in a while as part of the evaluation process, they should interact freely with the community people in a natural and conducive atmosphere, and not in the presence of soldiers; the people get intimidated and cannot speak their minds" (NGO2).

The NGO participants believe that Shell's GMoU implementation process makes it difficult for the stakeholder communities to engage directly with the company. What is observed is a move from one extreme strategy of total control and involvement in community development to indirect control, which disconnects the company from stakeholder communities. This approach, however, appears to be strategic in that it reduces financial overheads for the company. According to one participant, the company had over 200 staff working in the community relations department when it was using the community development framework with yearly MoUs, but with the current GMoU framework there are only a handful of staff in the department. The figure below captures Shell's SCD strategy.

Figure 15

Model of Shell's Sustainable Community Development Strategy
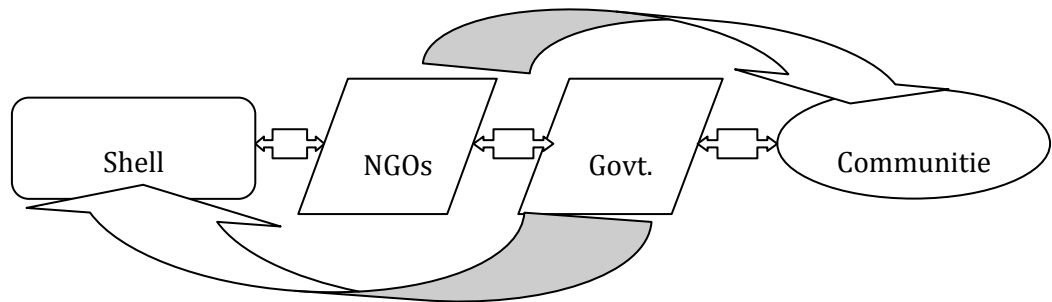
5.6.4.4.2.   *Sustainable Community Development: The Total Way*

According to Total, its Sustainable Development Division was established to "deliver social and economic benefits that will impact visibly on the community wellbeing" (Total CSR Report, 2008: 7). The vision of the division is to "empower the communities to define, direct and implement by themselves all social initiatives negotiated and agreed for implementation in their domains" (p. 7). Just like Shell, this official statement suggests that the communities drive their development aspirations, with the responsibility for social and economic development shifting from the company to the communities in an apparent departure from the top-down strategy of community development. The objectives of this new approach have been achieved through a four-year MoU agreement that was made with the communities. Under the MoUs, funding allocated for community development is fixed for the period. Within the period of the MoU agreement, no new community demands are considered; meaning new demands are only presented for negotiation after the expiration of the current MoUs.

According to the participants from the company, when negotiating the terms of agreement for the MoU, community-nominated representatives from the different stakeholder groups, for example, women, youths, and traditional rulers meet with delegates from the company to negotiate the scope and content of the development programs. Representatives of the government and regulatory authorities are then invited to witness the negotiation process between the community representative and the company delegates. The MoU is then signed by the community representations and the company, with the government and regulators also signing as witnesses to the agreement. Just like Shell's GMoU, Total'sMoU agreement requires the communities to provide a peaceful environment for the company to operate in, while the company is required to faithfully and transparently implement the content of the MOU (Total CSR, 2008). According to one participant from the company:

> "It is the faithful implementation of these MoUs that has provided the company with a relatively peaceful environment to conduct business in the region" (T2).

In order to ensure that the provisions of the MoU agreements are implemented, the company put in place MoU implementation procedures and monitoring committees comprising of representatives from the communities, company, government, and regulators, who meet every quarter or as frequently as possible to review the progress of the MoU (Total, 2008). The participants from Total believe that these committees enable the company to address issues arising from delayed implementation of agreed projects, and encourage community stakeholders to be responsible, as well as accountable, representing a point of difference from Shell's GMoU, in which government officials and NGOs seem to play major roles in the selection of projects and monitoring activities. Thus, while the main objectives of Total's MoU arrangement are similar to Shell's GMoU, the evidence suggests that the company's strategy is quite different. Unlike Shell's, Total's approach seems to actively involve stakeholder communities, not just in the formulation of project plans, but in the implementation and monitoring processes as well.

The findings indicate that the communities generally identify the projects they need, and then send the project proposals to the company. The company then identifies those that they think are sustainable and those that are not; the community stakeholders then nominate members of the community, who would be responsible for executing the approved projects. In some cases, when the community people lack the expertise to execute the projects, the company takes on the implementation of those specifically identified by the communities themselves. The evidence however suggests that in some instances, Total still decides on the projects that its stakeholder communities should engage in, making these judgments based on their own perceptions, as was the case during the era of community assistance. The quotation below is extracted from an interview conducted with a participant from the company:

> "Sometimes, we that are enlightened would suggest projects that we feel would be more beneficial to the community. In negotiating the projects, the people may say they need a school building, but when we look around, and we see that the place is mosquito infested, we might suggest they make hospital a priority" (T3).

Additionally, the company claims that when dealing with stakeholder communities, it usually extends beyond the parameters of MoU arrangements to give back to the stakeholder communities out of their profits; labelling these gestures, 'corporate social responsibility activities'. In one participant's words:

> "Apart from the activities we engage in that have to do with the joint venture, we use our own money to carry out corporate social responsibility activities for our host communities" (T3).

The community leader from Total's host community confirmed this claim, stating that:

> "Total even considers the widows in the community. Total gives us light; we are not paying for it. The company gives us schools and even scholarships. Government has not brought anything to Obagi community. Everything rests on Total. They give loans to our people and they train them in skills acquisition. If not for Total, the Obagi community would have been in shambles" (TCL2).

The Obagi community, which is part of Egi-Land, is the first community in which the company discovered oil in the 1960s. The community leader, however, explained that the relationship between the Obagi community and Total had not always been cordial. The community leader attributed the change in the behaviour of the company in relation to the provision of socio-economic development to what he described as a 'revolt against Total in 2003" (TCL2).

> "When the people rose up and demanded what was due them, things changed. When the MoU expires the company calls all the stakeholders to discuss the next set of programs, and projects and then a fresh MoU is signed" (TCL2).

The community leader further remarked:

> "The community and the company so far are happy with the outcome of the MoU" (TCL2).

One participant from Total explained that the company redefined its relationship with community stakeholders by thinking of them as partners. According to the participant, this new perspective closed existing gaps in the relationship between the company and relevant stakeholder communities. The company thus uses the term 'partnership relationship', rather than the popular 'stakeholder relationship' phrase; as the latter in their view connotes a one-way relationship in which the communities are simply passive recipients of benefits. A partnership suggests that each party has something to contribute to the relationship, and therefore, both feel more committed. Community stakeholders are encouraged to add something to make the relationship work. According to one participant:

> "In stakeholder relationship, commitments are not finely defined, but in partnership relationship, commitments are defined" (T2).

In addition to the MoU agreements, Total devised a model called 'Stakeholder Relationship Management Plus Tool (SRM+). The company uses this tool to identify, map and analyse the internal and external perceptions that different stakeholders hold with regards to the company. For example after identifying the different stakeholder groups in the community, the company engages with and administers questionnaires to them to acquire their views on the company's relationship with the community stakeholders. Weak areas in the relationship that are identified through the

application of the SRM+ tool are then addressed. The participants from Total believe that the SRM+ tool enables the company to better manage its relationship with stakeholder communities.

The evidence also indicates that the company's effective management of its relationship with stakeholder communities using the SCD framework is a consequence of the strong traditional governance systems of its stakeholder communities. For example, the Egi Clan, the region where the company has its onshore operations, consists of about 16 communities, of which only four are host communities (oil producing). The Clan has a supreme ruler, who oversees the affairs of the whole Clan through the individual chiefs of each community. Recognising this traditional governance structure, Total in its reformed community relation management framework assumes all the communities in the clan to be stakeholder communities[7]. The Egi Clan operates under the 'Egi People's Federation', an umbrella association consisting of representatives from all sixteen of its communities. According to the community leader:

> "The company gives more attention to the Egi People's Federation. When the company brings benefits to the parliament, then the parliament would call all the stakeholders that make up the parliamentary system and share the benefits. So the company attends to the needs and demands of the different groups through the parliament" (TCL2).

Interestingly though, the community leader also revealed that the company sometimes tries to cause disruption to this traditional leadership system. In the words of the community leader:

> " The company has tried to divide us; they will come and try to control a chief, but that chief would be afraid because he knows too well that everybody is watching him. Every now and then, they try to go around our norms and the way we do things, but we tell them they cannot bypass our norms, so we insist they follow the system we have in place and they follow it" (TCL2).

Referring to Obagi community, the community leader further remarked that:

> "There is coherence in the community. The community has a system that makes it possible for issues to be resolved even amongst community members. Traditional leadership roles are upheld and respected" (TCL2).

This is another example of the dense stakeholder network at play (Rowley, 1999), which makes it difficult for the company to attempt to seek out, and influence members of individual stakeholder communities that they perceive to be powerful or influential. The findings discussed thus far suggest that Total engages more directly with community stakeholders than Shell. Its stakeholder management frameworks seem to be more structured and robust. However, the fact that the company has fewer onshore stakeholder communities to manage could also be a contributory

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[7]See section 5.6.4.1

factor to its ability to manage its relationships more effectively within stakeholder communities. The figure below is a diagrammatic representation of the Total's approach to SCD.

Figure 16

Model of Total's Sustainable Community Development Strategy
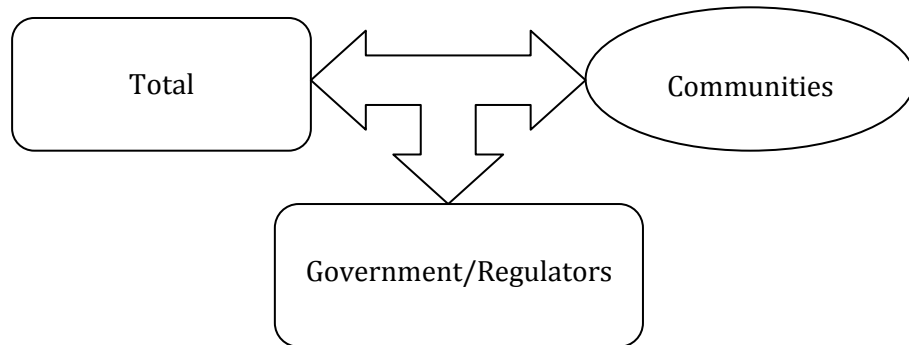
5.6.4.4.3. *Sustainable Community Development: The AGIP Way*

AGIP's annual report states:

> "NAOC is highly committed to the development of integrated projects, through MoUs with communities, even those in the most remote swamp areas" (NAOC undated: p.17)

Unlike that of Shell and Total, AGIP's MoU framework appears to be mostly company-driven. It extends to a duration of 4-5 years, depending on the number of years that the projects to be implemented have been restricted to, and is run based on a budget approved by the NAPIMS. To emphasise the role of the government through the NAPIMS in relation to the community company's development agenda, a participant from AGIP stated:

> "The government regulates our community relations spend. If the government approves a spend, we execute; if it doesn't approve the community project, we can't do anything about it, because we won't obey the community and then disobey the government" (A1).

The government through the NNPC is the majority shareholder in the NNPC/AGIP/Phillips (60/20/20) joint venture[8], which probably explains why 70% of the respondents from the company identified the government as one of the most important stakeholders in the quantitative study. The statement implies that the government/NNPC determines the boundaries of the company's community development activities. It must however be pointed out that Shell and Total have similar arrangements, in which the NNPC is the majority shareholder.[9]

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[8] See section 4.4.3
[9] See sections 4.4.1 and 4.4.2

Unlike Shell and Total, the evidence suggests that AGIP only enters into MoU agreements with host communities. Even though the company identifies transit communities as stakeholder communities, they are not included in the scope of its MoU agreements. One participant sheds some light on the company's approach below:

> "To do developmental MoU projects, we must find oil or gas there; because it is when we sell the oil that we would have money to finance the MoU. So the starting point is that we find oil and gas in the community, and then that community becomes a stakeholder" (A1).

The participant further explained:

> "We don't have any direct commitment with transit communities, but that does not mean that they are completely excluded. We recognise them by sending things to them at the end of the year, and when they are having their traditional festivities" (A1).

The findings suggest that like Shell, AGIP also employs the services of NGOs in the MoU processes, but to a lesser degree. For example, before a MoU agreement is signed, the company sends an NGO into the community to conduct a participatory rural appraisal (PRA), to identify the needs of the community. Following the outcome of the PRA exercise, the company invites community representatives to negotiate regarding the projects to be implemented. According to one participant, the company uses NGOs to assist the communities in identifying projects, because previously when they allowed the communities to take on this role powerful community members hijacked the process, presenting projects that would benefit themselves rather than the community as a whole. Explaining the process, the participant said:

> "We prioritise the needs of the community; send engineers to scope the project they are looking at. And after agreeing to the projects, we sign the MoU and then we go ahead and implement" (A1).

The evidence however indicates that the company's current MoU framework relies very much on a top-down approach to managing its relationships with stakeholder communities.

From the material the researcher gleaned from the interviews, the level of organisation and awareness amongst the stakeholder community also plays an important role in the company's attitude towards community development. That is, if the stakeholders within a host community do not collectively put forward any demands, the company normally does not make an effort to make any provisions for that community. The following quote obtained from an interview with one of the participants from the company reveals the reason behind this:

> "Remember the company is profit making company, so it doesn't go to communities and tell them 'come, let us do MoU'. So if we don't go to call the communities to come and do MoU with us, it then means that it depends on how organised the community is. So

foresight and planning by the community leaders is important when it comes to MoUs." (A2)

Another participant explained that the company deals with stakeholder issues only when they are raised, pointing out that any company staff member who flags up an issue concerning any stakeholder community, which has not been raised by the said community might be queried for doing so. Such a staff member may be as accused of "digging for or looking for problems for the company" (A3).

These revelations are particularly interesting as they confirm the reactive posture of the company towards stakeholder issues that was identified in the quantitative study.

The participant further commented that:

> "They (communities) have to be aware of whatever the company is doing and how it affects them, and from there make their demands. So the communities that are aware and who agitate or make demands of us are the ones that get the things they ask for. So it is organisation of the community leadership that brings about MoUs." (A2).

According to Rowley's (1997) framework on stakeholder influence, an organisation surrounded by uncoordinated stakeholders will face fewer constraints, and will be able to achieve high levels of discretion and so can then adopt a 'commander' role. The evidence suggests that the absence of a coordinated community effort not only prevents AGIP's stakeholder communities from benefiting from the company's community development projects; it also allows the company high levels of discretion. Unlike Shell and Total, which seem to take on a 'compromiser' role from the point of view of Rowley's (1997) framework, AGIP seems to prefer assuming the role of 'commander'. Rowley (1997) pointed out that firms that assume the role of a commander usually try to co-opt stakeholders by manipulating information and expectations. The evidence suggests that AGIP capitalises on the ignorance of its stakeholder communities, and in doing so, makes savings in the area of community development expenses.

However, the community leader who participated in the study from one of AGIP's host communities, remarked that:

> "The arrangement of the MoU with the company is the best arrangement." (ACL3)

This assertion by the community leader is similar to the observations made by the NGOs who also believed that the current MoU arrangement is an improvement on previous frameworks. The figure below, developed from the findings illustrates AGIP's current approach to sustainable community development

Figure 17

Model of AGIP's sustainable community development
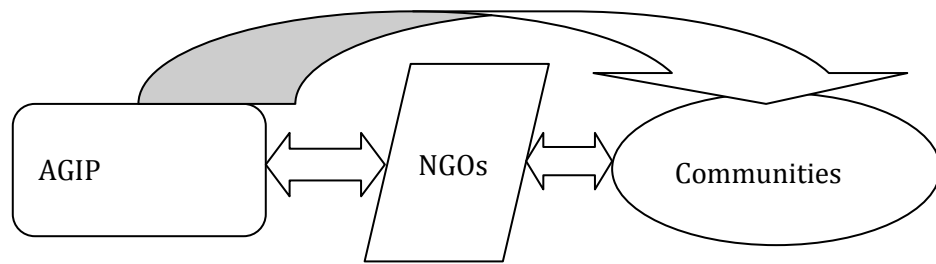
One important issue that seems to be absent from the sustainable development agendas of the oil companies is a response to the environmental impact of their operations. Although they discuss this issue in their reports and publications, very little is done to mitigate environmental impact in practice. From the analysis and discussions in the foregoing sections, it is apparent that the three companies seem to focus more on ameliorating socio-economic issues. This is particularly noteworthy because the findings discussed earlier indicate that economic, as well as social issues grow out of the environmental impact of oil exploration and production activities.

5.6.4.5. Environmental Issues: The Missing Link in Sustainable Community Development

In the course of the data collection process, it was observed that the oil companies avoided talking about the environmental impacts of their operations on the communities and the people, even when the question was raised. The community stakeholders and the NGOs, however, expressed their concerns about the impact that gas flares and oil spills were having on the health of the people as well as on farm produce. When the issue of gas flares was raised with the participants from the oil companies, only one participant from Total took the time to explain the issues surrounding gas flares. The following quotation was obtained from the interview with the participant:

> "These plans of flaring down are in accord with the government, it is the government that is jumping from one deadline to another…why? Because there are certain parts of the infrastructural development that facilitate flaring down, and which are supposed to be borne by the government. Since the government has a higher stake in the joint venture, it would spend more, so the government is reluctant to enforce it." (T3)

A similar claim by Shell was reported in a BBC News report by Walker (2009); according to the report, Shell officials asserted that it was the government's fault that gas was still being flared. The company pointed out that a lot more pipelines needed to be built to collect all the gas, but the government was not keeping up its end of the funding agreements.

The participant from Total further added:

> "They (government) will tell us don't flare, we will tell them, 'we will flare, if you don't want us to flare, you have to put this and this in place', and they (government) know that. So for us to stop flaring, the government must provide a means for gathering the gas." (T3)

The researcher got firsthand experience of the discomfort experienced by people living close to gas flare sites in communities in the course of data collection. When the researcher visited Obagi, Total's host community to interview the community leader, a young man from the community took the researcher on a tour around the community following the interview session. The researcher observed that most of the gas flares were burning low, and asked the young man if that was how high the flares burned. He explained that during the day, the companies keep the flares burning low, so as not to attract attention, but from about 1 a.m. in the mornings, the flares increase as production levels are increased. According to the young man, the noise of the gas flare and the pressure of oil pumping makes sleeping very difficult; but he went on to explain that the people have somehow adapted to the discomfort. In the words of the tour guide:

> "Once it is midnight, they increase the fire (gas flare), and houses around would be shaking, the vibration of the fire disturbs everyone in the community. But in the day, they keep it low, so that people will think that that is how it is, but once it is late in the night, they increase it to the highest. So during the day, they drill small quantities of oil, but at night they increase them. The force of the oil as it is being pumped from the ground is so strong that houses vibrate" (CY).

The tour guide added:

> "It is all these flames that are affecting the health of the people. People don't live for long in this area" (CY).

In spite of the obvious negative environmental impacts of oil operations on the people and the physical environments of the local communities, the findings indicate that the local communities use whatever influence they have to pursue community development and other forms of compensation, rather than environmental remediation. The following quotation which was obtained from an interview with one of the participants from Shell, corroborates this observation:

> "Community people are not interested in environmental impact … 85% of those who talk about oil spill, don't talk because the environment gets damaged… no! They are more interested in being paid compensation. Economic interest is one of the things firing the burner for more spills and all these things… it is economic interest" (S2).

Damaging strategies used by communities, such as vandalism and the destruction of oil facilities often result in spills, which causes further environmental damage. The participants from the oil companies even insinuated that community people sometimes deliberately vandalise oil facilities,

so that in the event of a spill they can pursue spill cleanup contracts. Azaiki (2009) also observed that sabotage of oil installations are carried out to facilitate claims for payments to the impacted area. This alleged behaviour of community people is perplexing in view of the mass protests and agitation over environmental damage in the 1990s. These developments make the issue of environmental damage resulting from oil spill particularly complicated. With the thorny issue of environmental damage left on the back burner, the oil companies have focused their attention on the more pressing demands for community development. Community development thus appears to be the price the oil companies have been required by the local communities to pay in order to obtain social licence to operate. The evidence suggest that it is the balm that the local communities have requested, and it is what the oil companies have provided to ameliorate the pains of oil exploration and production activities.

The next section identifies and discusses specific engagement strategies employed by the three case companies.

5.6.5. Oil Companies' Engagement Strategies

The preceding discussion highlighted the evolutionary nature of the relationship between the oil companies and their stakeholder communities. A critical look at the events that have led to the development of the different relationship management frameworks reveals a number of engagement practices. These engagement practices include appeasement, manipulation, intimidation, consultation, and negotiation. In this research, stakeholder engagement has been defined as how a firm interacts with its stakeholders and also how it deals with their issues.[10] It is to these engagement practices that we now turn our attention.

5.6.5.1. Appeasement

According to the participants from the NGOs and the local communities, the companies have used appeasement strategies to placate the community stakeholders so that their operations are not disrupted. They viewed this strategy as a temporary measure employed by the companies to get some 'breathing space', particularly in situations where pressures from community stakeholders were high. The findings indicate that in divided and uncoordinated communities, the companies identify individuals and groups that are more vociferous and influential and offer them contracts or other benefits to keep them under control. The participants from the NGOs and communities also believe that in more organised and coordinated communities, the companies still seek out the powerful or influential community members and give them special privileges in the hopes that

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[10]See section 5.2.3

they in return can keep other agitating community members under control. Community leaders and youth leaders are usually the targets of this approach. For example, Shell reportedly paid monthly allowances to unemployed youths in different host communities, particularly the more troublesome communities. This strategy, which is known as a 'stay-at-home-payment' (Nwajiaka, 2003; Omeje, 2004), was aimed at appeasing the youths and discouraging violent agitation, and disruption of oil facilities. The following quotation, which confirms this observation, was drawn from an interview with the community leader from Shell's host community:

> "The oil company will ask the youths to stay at home, get someone else who can do the job to do it, and then pay the youths some money at the end of the month. So they were paying people for doing nothing" (SCL1).

An NGO participant also made the following observation:

> "The oil companies give the youths or militants contracts to keep the peace. The militants are the ones that cause the real problem so the company tries to bring them close" (NGO3).

During an informal interaction with one participant from AGIP, the attention of the researcher was called to a telephone communication between the participant and some 'militants', who had been accused of destroying the company's facilities. When the researcher inquired about the rapport observed with the so-called militants, the participant simply stated:

> "It is better to bring your enemies close" (A2).

Participants from the NGOs and communities believe that appeasement strategy is also effective in cases where powerful or influential members of communities or leaders are corrupt and driven by their personal interests. For example, the community leader of Shell's host community remarked:

> "As a paramount leader, Shell wouldn't mind buying you a car or something just for you to forget about the demands your community is making from the company" (SCL1).

One of the NGO participants made a similar observation:

> "It takes just a visit from a top official of an oil company to the local government chairman of a community, and the demands and agitations of the community are dismissed by the chairman" (NGO3).

Such visits imply that the chairman has been appeased, and the company can then proceed with their operations. This suggests that the interests of a local government chairmen or any other powerful community stakeholder is elevated above the needs and demands of the generality of the community. Local government chairmen wield a lot of power and influence because of their positions. For example in the discussion of Shell's GMoU implementation, it was found that local

government chairmen headed the PAC 2, and any community project proposals are also vetted by them. [11]

Those preferential treatments accorded to powerful and influential community members are believed to be instrumental to many internal communal conflicts, as community members who have been appeased look within to identify other community members they can in turn influence. Meanwhile those who are overlooked also seek ways to get the companies to turn against their preferred community members or to try to create situations that will draw the attention of the companies to them. Furthermore, the NGO and community participants were of the opinion that by empowering few community members at the expense of others, the companies created distrust amongst community members. Appeasement is also known as a 'divide and rule' strategy. Although this strategy is said to have provided temporary relief to companies, the NGO participants believe that the distrust it created amongst community members was eventually extended to the companies.

One participant from Total explained that out of fear, the company might recognise one chief above another in the community, or empower certain youths, who may later turn against the company. In the words of the participant:

> "The same people you think you are trying to advantage will dump you and turn against you. In the end, the oil company is always the loser" (T3).

Since these appeasements are conducted in secret, the companies cannot expose the community members they have shown preferential treatment to when confronted by other members of the community. This strategy is perceived as an attempt by the oil companies to control the larger stakeholder environment by controlling a few influential stakeholders, and it is believed to be most effective in situations where either the majority of the community stakeholders are ignorant of their use, traditional leadership structures are weak, or the community leaders are corrupt.

5.6.5.2. Manipulation

This practice is also described as a 'divide and rule' strategy. The evidence indicates that the companies employed this strategy when they deployed the community development framework, and managed the process exclusively. This strategy is similar to the appeasement strategy in that specific communities rather than individuals are targeted for preferential treatment; it is different in that this practice seeks to deliberately pit previously neighbourly communities against one another. One of the NGO participants, who had worked with Shell for about 15 years, drew the

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[11]See section 5.6.4.4.1

researcher's attention to this strategy. The following quote was obtained from an interview with the NGO participant:

> "The oil companies tend to use this technique because they want to get the communities to focus on themselves. They may give employment to one community and none to the next community, before you know it, these two communities are fighting" (NGO2).

While the concept of 'whole community' enables the company to address the different demands of its various stakeholder communities, as earlier discussions revealed it is viewed as a source of conflict amongst stakeholder communities. Furthermore, the NGO participants also believed that the pervasive sense of entitlement exhibited by stakeholders from host communities makes it easy for this strategy to play out. According to one of the NGO participants, host stakeholder communities generally do not welcome the idea of being in the same cluster group as transit or impacted communities, which in their view have no 'stake' because they do not have oil in their communities. But then oil companies like Shell have, from past experience with Ogoni communities in particular, seemed to have learned the bitter lesson of ignoring transit or impacted communities. Even though this cluster arrangement enables the company to have a holistic plan for managing its relationship with different community stakeholders, it is also perceived as a deliberate attempt to cause conflict between communities, and in so doing avoid meeting their demands, as the GMoU depends on all parties agreeing. The quotation below, which was obtained from an interview with one of the NGO participants, confirmed this:

> "The oil companies should desist from lumping communities and people together. This is a source of conflict amongst communities and community stakeholders" (NGO3).

Once the offer of a GMoU and a cluster arrangement are made Shell leaves the communities to organise themselves; which as pointed out by one of the NGO participants earlier, is intended to give the communities some responsibility in terms of relationship management. However, the evidence suggests that because the integration plan is externally driven, the company has overall recorded more failures than successes. This may be one of the reasons why out of the 67 cluster groups the company has established, only 16 are functional.

Again, just like the appeasement strategy, a manipulation strategy takes attention away from the companies in the short term, although eventually the community stakeholder issues they are trying to avoid resurface and the divisions and conflicts created through such divide and control strategies have become a problem to the companies. One NGO participant made an observation in this regard:

> "I think some of the oil companies realised that the divide and rule strategy was not achieving expected objectives, as other community stakeholders still come back and make demands of them" (NGO3).

However, in response to these claims, one participant from Shell said:

"A lot of people talk about divide and rule; we don't divide and rule" (S1).

Even though the company believes otherwise, the claims made by the NGOs seem to be based on their observations, for example, one of the NGO participants worked with Shell for a number of years in the implementation of the company's community development projects, and made these assertions based on working experience; while the other works exclusively with local communities and has observed how the strategies play out in the communities.

5.6.5.3. Intimidation

The cases described in sections 5.5.1, 5.5.2, and 5.5.3 provide examples of the use of intimidation strategies. From these cases, it can be seen that the companies readily resorted to the use of military force, rather than dialogue, to address the legitimate issues and concerns of stakeholder communities. Also the presence of heavily armed military personnel around company premises and facilities in and around communities, in the name of security, have meant that community members are not able to freely express their concerns. Participants from the NGOs believe that the companies employed this strategy to instil fear or discourage community stakeholders' actions. The evidence indicates that the destruction of communities and loss of lives resulting from the use of military force, however, became a major turning point in the relationship between stakeholder communities and the oil companies. For example, Shell suffered a loss of social acceptance in Ogoni communities; Total for its part made a U-turn, when it realised that its host communities were not going to stop making demands. Thus, it can be argued that the use of force and intimidation paved the way for stakeholder communities to exercise their power to grant or withdraw 'social license' to and from the companies. This strategy is also believed to have motivated armed conflict in the region, as community stakeholders have looked for ways to defend themselves against military attacks. Following the transition to civilian rule, the use of military force against communities has reduced, however, it was observed that the companies still employed the services of armed military men, who patrol the communities where they have their facilities, day and night. The researcher observed large number of armed military personnel in and around the local communities during the data collection process. There were makeshift military checkpoints at every turn, with fierce-looking military officers demanding to know where the researcher was coming from and headed to at every point.

The NGOs and community leaders confirmed that this was a technique the companies used most of the time when dealing with community stakeholders. According to the community leader in Shell's host community:

"The company (Shell) has rounded up everywhere with military men, so we can't even make any kind of protest or strike; our people are so intimidated" (SCL1).

This implies that the companies employ intimidation strategies, using armed security operatives when they do not want to address community issues.

The NGO participant who works with the local communities also made the following observation:

"You are in a community you cannot express yourself because there are company agents somewhere listening, who will not hesitate to go to the company's base and report. Before you know it, the company's security operatives have descended on the community" (NGO 3).

It is however observed that this practice has been curtailed by the presence of armed militant groups within the communities. According to one of the NGO participants:

"Even though the oil companies have security operatives, some of the communities also have boys who are armed. So if the companies use their security operatives to intimidate the community people by day, the community boys would return the favour by destroying oil facilities at night" (NGO4).

This retaliatory posture of people in the communities confirms what Freeman (1984) said, that stakeholders who are affected by a firm's activities, and ignored, might resort to the use of retaliatory strategies against the firm.

5.6.5.4. Consultation

The evidence indicates that Shell adopted this practice much earlier, particularly following the Ogoni crisis in the early 1990s, by inviting different stakeholders to share their views, their perceptions about the company, and also what their expectations are (Shell, 1997). This strategy is aimed at opening up avenues for dialogue and discussion, and creating awareness across communities on issues the oil companies believe they are uninformed about. The companies, particularly Shell, through workshops, seminars, and conferences, engage stakeholders on the issues related to their operations. Shell remains at the forefront of this practice. Through this strategy, companies try to divert the attentions of community stakeholders toward the government, particularly in relation to the provision of social services and the development of infrastructure.

The findings suggest that consultation is also aimed at informing or educating stakeholder communities and other relevant stakeholders and also at averting conflicts. The following quotations were drawn from an interview with one participant from Shell:

"We engage them to educate them about certain facts they may not be aware of. We educate them on the implications of their contention, by doing this we moderate the conflict. That is part of stakeholder engagement" (S1).

The participant from Shell further added:

> "We try to let everyone know what goes on with us as a company. We tell them the percentage we give to the Niger Delta Development Commission (NDDC) for development. That way they know who to hold responsible" (S1).

Under normal circumstances, consultation should have been the first step taken by the oil companies when they began their exploration activities in the 1960s.

5.6.5.5. Negotiation

The findings indicate that this is the current strategy being employed by the companies, and it is believed to be the most successful compared to others. Participants from the NGOs and the communities particularly believe that increased community stakeholder agitation and demands made this strategy a necessity. The evidence indicates that when employing negotiation strategies, communities are engaged collectively to a large degree in order to negotiate the terms of the relationship that exists with the oil companies. The findings suggest that the companies find this strategy to be successful when dealing with communities that are well organised and coordinated. Conversely, in the case of communities that have strong communal ties, the companies seem to find it difficult to use controlling and dominating strategies like intimidation, manipulation, and appeasement.

The GMoU and MoUs the companies sign with their stakeholder communities are based on agreements that are typically reached after negotiations. However, the NGO participants pointed out that the companies sometimes used negotiation strategies to delay meeting the demands of the stakeholders. They also believe that the power balance between the companies and communities tilts in favour of the company. They viewed the oil companies as wielding both economic and political power and the communities as having little or no influence during negotiations. Thus, they believe that the companies themselves determined the terms of negotiation. In the case of the MoUs, the community leader from one of Shell's host communities stated that the company presented him alone with the GMoU document to sign. The community people, however, welcome negotiation as it allows them to express their concerns and needs in a more peaceful ways. Also the NGO participants feel positive about this approach; perceiving it as a change in the right direction, while the oil companies see it as effective.

With the MoU/GMoU agreements being signed by all parties, the responsibility for ensuring that the issues agreed on are dealt with is then spread amongst all the parties involved. In principle, the processes that lead to the signing of the MoU should facilitate transparency and accountability; however, as the evidence suggest, this is not always the case as a few powerful and influential community people still try to put their personal interests ahead of communal interests.

Nevertheless, this engagement strategy is still more transparent and involves a wider segment of community stakeholders than the previous strategies the companies employed. The five stakeholder engagement strategies identified are depicted in the model in the figure below.

Figure 18

Oil Companies' Engagement Strategies (Model 2)
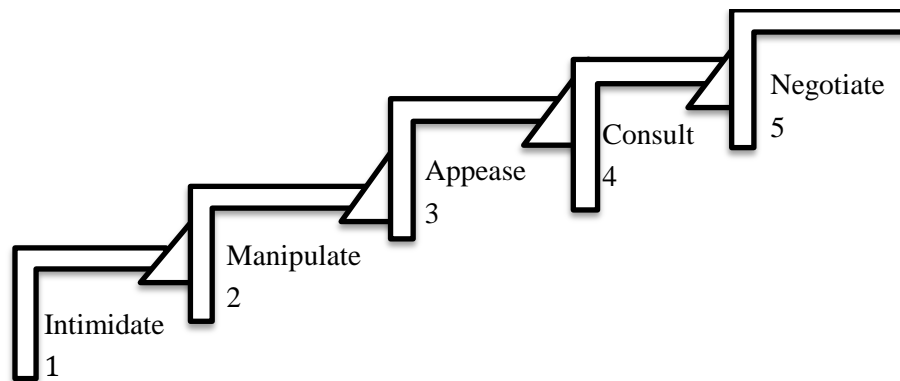
The engagement strategies identified are represented as steps that demonstrate a progression from poor and unethical engagement practices to more acceptable ones. The evidence suggests that the first three strategies were used extensively in the 1990s when there were waves of community protests and agitation against the companies. Additionally, the findings suggest that these engagement strategies might have undermined the relationship between the companies and the communities. Furthermore, the evidence shows that the companies are currently employing the fourth and fifth engagement strategies to rebuild their relationship with the local communities, and to address the needs and demands of community stakeholders. Although the participants noted that consultation and negotiation were the prevalent strategies, the evidence, however, suggests that the other three strategies are still employed in varying degrees by the companies.

5.7. *Summary of the Qualitative Findings*

The qualitative study reported in this section was guided by a number of objectives. First, it aimed to identify specific ways in which the operations of the oil companies affect local communities. Second, it aimed to identify specific actions community stakeholders take in order to influence the behaviour of the companies. Third, it aimed identify and describe the strategies and frameworks the companies have devised to manage their relationships with local communities, and finally, it also aimed to identify and analyse how the companies relate to their community stakeholders and respond to their needs.

The findings suggest that oil exploration and production activities have negatively impacted on the environmental, as well as the socio-economic wellbeing of local communities. The environmental problems that have been linked to oil and gas exploration and production activities include:

flooding and coastal erosion, sedimentation and siltation, degradation and depletion of water and coastal resources, land degradation, air pollution, biodiversity depletion, noise and light pollution and low agricultural production. The pollution of land and water sources have in turn affected the economic stability of the local people whose main sources of livelihood were formerly farming and fishing. Furthermore, the loss of substantial hectares of land to deforestation to make way for oil pipelines, platforms, flow-stations and other oil facilities is a major cost that the local communities have had to bear.

It was also gathered that the local communities had initially expected that their lives would somehow be improved by the presence of the oil companies, however, following the attendant negative effects of oil exploration and production activities, the perception of the local people changed towards the oil companies. The observed negative impacts of the operations of the oil companies is believed to have triggered the wave of community protests and agitation in the 1990s, with demands being made for compensation resulting from environmental damage and loss of sources of livelihood. In order to press their demands home, community stakeholders devised damaging strategies to attract the attention of the oil companies. These influential strategies include barricades, blockades, vandalism, and destruction of oil facilities. The use of barricade and blockade strategies to prevents oil company workers from accessing facilities and operational sites, thereby resulting in the suspension of operations. Vandalism and the destruction of oil facilities are the most damaging strategies, and were used extensively by militant groups, who claimed to be fighting for a better deal from the government and oil companies on behalf of the communities. The evidence suggests that the damaging strategies undertaken by the community stakeholders and even militant groups greatly affected the operations of the companies.

The findings indicate that as community stakeholders evolved from passivity to activity, the attitude of the oil companies towards them changed as well. For example, before the protest actions and the use of damaging strategies, the oil companies attempted to demonstrate good citizenship by providing their host communities with what they labelled 'community assistance'. The communities passively received whatever assistance the oil companies were prepared to offer for many years. However, with increased environmental impact affecting their economic success, the communities started demanding for the provision of basic amenities and pursued alternative developmental projects. These demands meant that the companies shifted from community assistance to community development. The evidence suggests that the community development approaches were very paternalistic in nature, with the oil companies controlling the whole process and picking and choosing which community members to involve to execute community projects. Furthermore, it was found that this approach resulted in internal communal conflict as community members jostled for contracts. This strategy was eventually truncated when it was found to be unsustainable, and was replaced with sustainable community development, an approach designed

to give community stakeholders' greater responsibility over their developmental aspirations. The sustainable community development strategy, like the earlier community development strategy, is underpinned by a MoU agreement, which stipulates the terms of the relationship, the obligations of the oil companies, and the responsibilities of the communities. The MoU tenure under community development was one year, while the MoU tenure under the sustainable community development strategy is 3-5 years.

Finally, the findings suggest that how the firms have related to community stakeholders and how they responded to the issues that surfaced, have affected the quality of the relationship between the companies and the communities. The companies employed unethical engagement practices such as appeasement and manipulation, which turned community stakeholders against one another, and also communities against each other. These strategies involved showing preferential treatment to those community members that were perceived as powerful or influential, putting their interests above those of the community. These strategies are believed to have damaged the level of trust that existed between community members, and between the communities and the oil companies. The evidence gathered also revealed that the companies employed the services of armed military personnel to intimidate community members at various times. This has been the most damaging strategy pursued by the oil companies, as it resulted in the destruction of communities and the loss of lives. It provoked retaliatory actions from community members, and is believed to have fuelled militancy in the oil-producing region. With Shell losing social acceptance in Ogoni communities through this action, other communities also came to realise that they too had the power to grant or withhold 'social licence to operate' to the oil companies. The companies then changed to adopt more relational engagement strategies such as consultation and negotiation, to enable them to address the issues and demands of stakeholder communities. The findings indicate that consultation and negotiation are the pillars of the current relationship management framework; i.e. sustainable community development. However, there are indications that the companies, particularly Shell and AGIP continue to also use appeasement, manipulation and intimidation strategies.

5.8.   *Discussion*

Introduction

This section provides an integrated discussion of quantitative results and qualitative findings in light of the literature. The research reported in this thesis was undertaken with the aim of investigating how multinational oil companies operating in the Nigerian oil and gas industry manage their relationships with those local communities in which they have their operations, and which are affected by their operations. In order to achieve the aim of the study a mixed methods

research strategy was adopted, which involved a combination of quantitative and qualitative research methods. The quantitative study was conducted first, and involved only the case study companies. In the qualitative study that followed immediately after the quantitative study, with consideration of the points raised by it, data was collected from representatives at the case study companies, community leaders from three oil producing communities, and four different NGOs.

This research was guided by a number of research objectives, and the findings from the quantitative and qualitative studies were reported separately. The quantitative study was constructed so as to discover which stakeholders the focal divisions/departments of the case study companies prioritised, the posture the companies took in reference to stakeholder issues, and the ways in which the case study companies were different in relation to specific stakeholder management components. It also investigated the nature of the relationship between these components. The qualitative study explored the notion of stakeholder management from the perspective of the case study companies, and stakeholders such as local communities and NGOs. It highlighted the ways in which the activities of the companies are perceived to have affected the local communities. It also identified specific actions community stakeholders take against the companies in order to influence their stakeholder management policies and practices. It examined the past and current frameworks the companies employed to manage their relationships with stakeholder communities. Finally, it identified specific stakeholder engagement strategies believed to have been employed by the companies, and the impact of these engagement strategies on their relationship with community stakeholders.

In keeping with the broad aim of providing a holistic narrative of stakeholder management from the point of view of practitioners and stakeholders, this discussion is divided into subsections which focus on the different aspects of stakeholder management. As mentioned earlier, previous descriptive studies have tended to focus on different aspects of the stakeholder approach; for example, Agle et al. (1999), Parent and Deephouse (2007), Harvey and Schaefer (2001), Magness (2008) and Mitchell et al. (1997) all examined the issues of stakeholder identification and salience; Frooman (1999) focused on stakeholder influencing strategies, Jawahar and McLaughlin (2001) investigated how firms respond to different stakeholders at different stages in their life cycle; while Friedman and Miles (2006) provided a conceptual model of stakeholder engagement. The present study attempted to tie these different aspects of stakeholder management together to provide a more holistic and richer narrative.

The first step in stakeholder management is stakeholder analysis, which entails identifying those who can affect or are affected by the achievement of an organisation's objectives (Clarkson, 2002; Freeman, 1984; Gray et al., 1996; Weiss, 2006); determining their salience (Mitchell et al., 1997; Frooman, 1999); developing response strategies to deal with the concerns and interests of not only

those can affect the strategic objectives of the company, but those who are affected, particularly negatively, by the achievement of the company's strategic objectives (Goodpaster, 1999). The next step, stakeholder synthesis, involves processing the information gathered from the analysis so as to determine a course of action. This relates to the decision-making process and the implementation of these decisions (Barringer and Harrison, 2000, Chinyio and Akintoye, 2008, Freeman, 1984, Friedman and Miles, 2006a, Goodpaster, 1991b, Harrison and St. John, 1996, MacQueen et al., 2008, Rowley, 1997, Savage et al., 1991, Weiss, 2006b, Zadek and Raynard, 2002). In view of these works, the discussion now turns to an analysis of the findings from this research.

5.8.1. Stakeholder Community Identification and Salience

In the quantitative study, all the participants from the focal division in Shell and Total identified host communities as their most important stakeholders, with 80% from AGIP. As pointed out earlier; in the oil industry, stakeholder communities generally fall into three main categories: host communities, transit communities, and impacted communities; these are affected by oil operations to different degrees. Host communities are those in which the oil companies either explore and produce oil or in which other oil facilities are located; whilst transit communities are those through which oil and gas pipelines pass. Impacted communities are those that have no oil facilities in them or running through them, but which are or might be affected by the operations carried out by the companies by virtue of their close proximity to operational sites. 50% of the participants from Total also identified impacted communities amongst their chief stakeholders. Only 5% of the participants from Shell identified impacted communities, and none of the AGIP respondents did so. 33% of the participants from Total identified transit communities as relevant, 30% of AGIP's, and only 5% of participants from Shell. This trend was confirmed by the qualitative findings, with Total identifying not just host, transit, and impacted communities, but also communities with ethnic ties to their host communities. Shell identified host, transit, and impacted communities, while AGIP identified only Host and transit communities.

From the perspective of stakeholder theory, communities that are affected by the activities, policies, and actions of a firm are legitimate stakeholders (Carroll and Buchholtz, 2006; Clarkson, 1995; Freeman, 1984; Gray et al., 1996). However, the findings of this research suggest that the impacts or effects of oil operations on local communities is not necessarily a criterion the oil companies use to determine which is a legitimate stakeholder community. Rather, the potential or ability of a community to affect the operations of the companies is perceived as the main factor influencing the behaviour of the companies. What is interesting, however, is that stakeholders from host communities seem to consider themselves as the only legitimate stakeholder communities by virtue of the fact that they are oil-producing communities. In spite of this

perception held by oil-producing communities, the evidence indicates that oil companies like Shell and Total consider communities that do not produce oil as stakeholders.

It is important to draw attention to the fact that the oil companies have not always regarded local communities as stakeholders per se, particularly in view of the Petroleum Act of 1969 which vested all petroleum resources to the federal government, and the Land Use Decree of 1978, which gave state governments the right to revoke customary rights of land ownership or occupancy. However, the findings suggest that in order to demonstrate that they were good corporate citizens, the oil companies did use their discretion to give back to the local communities; a behaviour which demonstrates what Carroll's (1979) called discretionary corporate social responsibility. The findings also suggest that as passive recipients of the philanthropic gestures of the companies, the local communities exhibited the characteristics of discretionary/latent stakeholders as per Mitchell et al.'s (1997) model, having just legitimacy.

However, just as Freeman (1984) predicted, stakeholders who are affected by a firm's activities or practices might in the future take retaliatory measures against that firm. Following increased negative impact from oil operations, local communities abandoned their passive attitude towards the behaviour of the oil companies, and began protesting against the negative effects of oil operations. From the point of view of the local communities, their claims were legitimate and urgent, which makes them dependent/expectant stakeholders (Mitchell et al., 1997). However, the evidence gathered suggests that the legitimacy and urgency of the claims of the communities in view of the negative impacts of oil operations, did not compel companies to act or to view the communities as stakeholders, to whom they owed a moral obligation not to cause any harm (Clarkson, 1995; Boatright, 1994; Freeman and McVea, 2005). In fact the way the oil companies responded to the protests and agitation by the local communities, indicates that they were perceived more as adversaries to be subdued (Freeman, 1984). However, as expectant stakeholders (Mitchell et al., 1997), rather than passive recipients of discretionary assistance, the local communities began making demands of the companies, thereby, shifting from their focus from the provision of community assistance to community development.

The evidence indicates that the attitude of the oil companies towards local communities changed further when communities started disrupting their operations. With local communities demonstrating their ability to prevent the companies from carrying out their operations, they grabbed the attention of the companies. As theorised by Mitchell et al. (1997), when legitimate stakeholders, with urgent claims, acquire the power to influence or affect the business of a firm, they become definitive stakeholders, and thereby receive priority attention from firms and their managers. Participants from the NGOs and communities in particular believe that it was the effects of community actions on the operations of the oil companies that earned them a place in the

stakeholder map of the oil companies (Carroll and Buchholtz, 2006; Clarkson, 2002; Freeman, 1984). As noted by Clarkson (2002) non-contractual stakeholders, just like local communities, maybe unaware of their relationship to corporations until some favourable or unfavourable event draws it to their attention. In this case the negative impacts of oil exploration and production activities on the communities seem to have caused them to evolve from latent stakeholders, to expectant, and finally definitive stakeholders that the companies could not ignore (Mitchell et al., 1997). The dynamic characteristic exhibited by local communities confirms Mitchell et al.'s (1997) theory that stakeholder attributes are variable, and thus dynamic.

Furthermore, the findings seem to also support Mitchell et al.'s (1997) theory that it is a firm's management that determines which stakeholders are salient, and accorded attention. For example, even though the three case study companies operate in a comparable stakeholder environment with similar challenges, each of the companies differs in terms of which stakeholder community receives its attention. The quantitative study revealed a statistically significant difference between Total and Shell in relation to stakeholder salience. A review of secondary data, company annual reports and newsletters and interviews confirmed this difference. While Total seem to carry all its stakeholder communities along with it, even though they may not all receive the same level of benefits, AGIP focuses its attention on host communities only, and Shell maps host, transit, and impacted communities. Although the quantitative results did not reveal a difference between Total and AGIP in relation to stakeholder salience, the findings from the qualitative study suggest that the two companies are quite different in this regard. The fact that Total has fewer communities to manage could account for this difference in its attitude towards stakeholder salience. While Total has fewer than 30 onshore stakeholder communities, Shell has over 1000 onshore stakeholder communities, and AGIP has about 300. The cost of maintaining relationships with stakeholder communities also appears to be an important consideration; participants from AGIP in particular allude to this. Jones (1980) observed that, "a narrow view of stakeholders is usually based on the practical reality of limited resources, limited time and attention, and limited patience of manager for dealing with external constraints." Similarly, Jawahar and McLauhglin (2001) have stated that "finite resources and business concerns are likely to substantially influence corporate decisions, including those relating to corporate social performance" (p. 410).

In testing Mitchell et al.'s (1997) model, Agel et al. (1999) concluded that the attribute of 'urgency' was the best predictor of stakeholder salience, while Magness (2008) contended that the attribute of 'legitimacy' provided the basis for determining who or what really counts in the minds of decision-makers. Parent and Deephouse (2007) on their part found the attribute of 'power' to be the primary predictor of salience. The finding in this current study suggests that the acquisition of the attributes of 'urgency' and 'power' by communities at different periods determined their salience to the oil companies. Furthermore, the findings suggest that the financial implications of

managing relationships with stakeholder communities also appear to determine the stakeholder communities taken into consideration.

5.8.2. Stakeholder Community Issues and Companies' Engagement Strategies

The behaviour of the companies in the 1990s, when there was a wave of community protests and agitation over environmental, social and economic issues arising from the operations of the companies, indicated a reactive posture towards stakeholder issues. However, the results from the quantitative study suggest that Shell and Total are currently adopting a more proactive posture towards stakeholder issues; that is they anticipate and deal with these issues before they become crises, the qualitative findings, however, indicate that Total is more attuned to proactivity than Shell. The responses from the participants from AGIP suggest that the company is more likely to be reactive than proactive in regards to stakeholder issues, the findings of the qualitative study confirms this. The general position of AGIP is that if the stakeholders do not come forward and express their issues, the company is inclined to ignore them.

Some authors have suggested that how decision makers interpret external events accounts for differences in their responses (Dutton and Duncan, 1987; Meyer, 1982). Bhambri and Sonnenfeld (1988) found that firms with elaborate issues management structures, including those in which public affairs activities have a great influence on general management decisions, generally exhibited better posture towards stakeholder issues. The responses of the companies to the issues raised by the communities in the historic cases discussed, however, suggests that the companies generally did not have the necessary structure or strategy in place for dealing with communities or the issues they raised. Dunham et al. (2006) observed that a breakdown in relationships between corporations and communities becomes challenging because the "task of evaluating moral claims and developing appropriate responses to community stakeholder groups can be complex and confusing" (p. 30). Lawrence (2010) also noted that firms might find it more challenging to deal with nonmarket stakeholders and their issues, because of a lack of contractual agreements, which stipulate the rules of engagement, as well as the absence of specific rules and norms. The breakdown in the relationship between the oil companies and local communities thus provides a classic example of the challenges faced when attempting to manage relationships with nonmarket stakeholders. As the cases discussed earlier revealed, rather than employing relational engagement strategies, the three companies resorted to intimidation strategies when local communities were protesting against their business practices.

The findings of the qualitative study revealed specific engagement strategies believed to have been employed by the oil companies. It was gathered that these engagement strategies, particularly, intimidation, manipulation, and appeasement, further undermined the relationship between the companies and stakeholder communities. Some of these strategies were traced to the community

relations management frameworks the companies used to manage their relationships with stakeholder communities. The evidence indicates that at different times the companies used appeasement strategies with specific community stakeholders, rather than engaging a wider segment of community stakeholders. By focusing attention on just a few stakeholders, the interests of wider community stakeholders were ignored (Doyle and Stern, 2006). Zadek and Raynard (2002) point out that engaging with stakeholders who do not represent the interests and concerns of the larger stakeholder group can potentially invalidate the process. Stakeholder engagement is an opportunity for firms and their stakeholders to develop trust and gain an understanding of each other's interests, and so pursue mutually beneficial ends. As observed by Healey (1997, p. 247) through engagement, "trust and knowledge are generated and circulated, to provide a foundation of social and intellectual capital upon which collaboration can be built." However, the findings revealed that some of the engagement strategies employed by the companies destroyed rather than built trust between the companies and the stakeholder communities. Also the evidence suggests that the companies employed manipulative strategies to set community members and communities against themselves. According to Rowley (1997), an organisation that finds itself operating in an environment containing uncoordinated stakeholders adopts a 'commander' role, whereby stakeholders are co-opted through manipulation. The participants, particularly from the NGOs and communities believe that the oil companies deliberately employed divisive strategies to prevent communities from taking collective action against them as the Ogoni people did against Shell in the 1990s. Habermas (1987) observes that when firms engage with stakeholders for solely strategic reasons, they tend to use and apply morally questionable means, such as force, threats, violence, or inducements to manipulate them.

The results from the quantitative study suggest that Shell and AGIP are different in relation to stakeholder engagement, however, the findings from the qualitative study suggest otherwise. In view of the impact of the collective action of the Ogoni people against Shell in the 1990s, the company's community development framework created room for intra-communal conflicts. In fact the NGOs, and even the participants from AGIP, believe that Shell's strategy is divisive. However, the findings indicate that AGIP also employs such strategies to avoid the financial costs resulting from community development activities. Looking at these findings from the point of view of Rowley's (1997) model[12], it can be argued that Shell and AGIP are likely to adopt the role of 'compromiser', seeking to pacify and negotiate with stakeholders to appease their expectations and reduce the likelihood of collective stakeholder action. This is in addition to that of a '***commander***', which seeks to manipulate information flow, and consequently community stakeholders' expectations (Rowley, 1997). However, it is argued that Shell is more likely to take on the role of

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[12]See Figure 6, section 2.4.3.2

a *'compromiser'* employing appeasement and manipulation strategies, while AGIP's posture leans it towards the role of a '***commander***', thus employing manipulation and intimidation engagement strategies. The findings indicate that Total adopts the role of a ***subordinate***, finding itself in the midst of stakeholder communities with strong traditional ties, and stable traditional governance structures. Thus, due to the cohesive nature of its stakeholder communities, the company seems unable to effectively employ divisive strategies such as manipulation, appeasement, and controlling strategy of intimidation; the company thus accedes to the expectations of its stakeholder communities (Rowley, 1997). According to Rowley (1997), companies that are confronted by stakeholder groups that are coordinated in their efforts are more likely to show a stronger social performance. The findings suggest that Total has a stronger social performance record compared to Shell and AGIP.

5.8.3.   Stakeholder Community Relationship Management Strategies

The quantitative study revealed a positive correlation between stakeholder engagement and stakeholder management policies and practices. The qualitative analysis indicated that the stakeholder engagement practices identified are somewhat related to the stakeholder community relationship management policies and practices the companies employed. For example, the first two relationship management frameworks, that is, community assistance and community development, require top-down, paternalistic relationship management styles, with the companies wielding considerable control over the communities. The engagement strategies linked to these frameworks include appeasement and manipulation respectively. The current community relationship management framework, which the companies refer to as sustainable community development, is based on a more strategic approach, and attempts to level the engagement platform by allowing stakeholder communities to articulate and decide on their needs. The current community relationship management framework is based on consultation and negotiation engagement strategies, which in some ways seem to give stakeholder communities a voice in the relationship. Most of the participants believe that these engagement strategies are more effective, confirming Freeman and Evan's (2005) point, that the stakeholder management is most effective when the perspectives of all stakeholders are taken into consideration, rather than when offsetting one set of stakeholders against others. The relationship between stakeholder engagement and stakeholder management policies and practices finds support in Friedman and Miles (2006) position, that stakeholder engagement must be linked to the policies and practices of a firm. The findings from the qualitative study also support the positive correlation between stakeholder issues and stakeholder engagement in the quantitative study. For example, the findings of the qualitative study indicate that the negative issues arising from oil operations triggered the actions of the communities, which in turn compelled the companies to engage with them. And through proper engagement and stakeholder management policies and practices, the companies have been able to

ameliorate some of these issues. The quantitative study revealed a positive correlation between company's perception and stakeholder management policies and practices. Further light was shed on the nature of this relationship from the findings of the qualitative study, for example, when local communities were perceived as a legitimate stakeholders, the stakeholder management policies and practices of the companies was demonstrated in their community assistance approach. As the local communities evolved from latent stakeholders to definitive stakeholders (Mitchell, et al., 1997), the way the companies perceived them changed as well, as did their stakeholder management policies and practices. Thus, how the companies perceived the local communities influenced the frameworks they employed to manage their relationships with them.

The findings of the qualitative study indicate that Shell and AGIP are different in the ways they implement sustainable community development agendas. Whereas, Shell uses the services of NGOs to facilitate and monitor the deployment of its GMoU driven community relationship management framework at all stages, AGIP only uses them to assess and identify the needs of their host communities through what they called participatory rural appraisal. In the deployment of its GMoU, Shell seem to limit its involvement in the communities' decisions about the projects they need or want, but this is not the case with AGIP, which actively participates in the selection, prioritisation and execution of community projects. The results of the quantitative study show a statistically significant difference between AGIP and Total in relation to the company-stakeholder relationship and stakeholder management policies and practices, and the findings of the qualitative study confirm these differences. For example, it was found that Total has a structured framework called the Stakeholder Relationship Management Plus (SRM+) Tool, which it uses to manage its relationship with community stakeholders in addition to the MoU arrangement that all the companies employ. An important component of this framework is the feedback system incorporated within it. The company encourages and receives feedback from its stakeholder communities through a community newsletter publication that it develops using the SRM+ Tool. Whereas, Total seem to employ a systematic approach towards managing its relationship with stakeholder communities, AGIP does not appear to have such a system in place The researcher was also unable to acquire company brochures pertaining to community relations' activities nor did Internet searches did yield any useful information either. AGIP's current stakeholder community management approach still maintains the characteristics of the paternalistic approaches the companies employed in the past, that is, the community assistance and community development strategies.

Additionally, the results of the quantitative study suggests that Total and Shell are similar in relation to stakeholder management policies and practices, for example, both companies employ what they refer to as the 'whole community' approach, whereby they supposedly take into account, communities that do not host their facilities, but who might be impacted by the

companies' operations. However, the findings of the qualitative study revealed some difference in the way the two companies manage their relationships with stakeholder communities. For example, some of the participants believe that Shell's GMoU framework keeps the company disconnected from its stakeholder communities, so that rather than strengthen its relationship with its stakeholder communities, the GMoU by virtue of its structures weakens the relationship. By relying on NGOs and the cluster development boards for feedback regarding the GMoU outcomes, the company is not able to measure the pulse of its stakeholder communities. Total on the other hand seems to engage more directly with its stakeholder communities, and this appears to allow the company to better assess the mood of its stakeholder communities, so that it is able to readily anticipate changes in their expectations. The evidence thus suggests that Total and Shell have similar stakeholder management policies, but different stakeholder management practices or approaches. The MoU arrangement is more or less a standard industry practice, and so it would seem as though the companies are following similar approaches. However, as described above, a critical examination of the MoU formulation and implementation process reveals a number of differences in implementation across the three companies.

Evaluating the stakeholder community management approaches of the three companies in the light of Dunham et al. (2006) theoretical framework for managing relationship with communities discussed in Chapter Two, it can be argued that Total's strategy is more inclined towards collaboration, which is open and trust-based, with processes that allow for frequent interactions. This strategy appears to provide Total a strong platform for building and managing its relationship with its stakeholder communities. The findings indicate that Shell's approach is designed to enhance cooperation between the company and its stakeholder communities, and aimed at developing mutual understanding and constructive solutions. In line with the characteristics of the cooperative strategy, the frequency of interaction between Shell and its stakeholder communities can be described as medium. The nature of interaction is reciprocal. AGIP's strategy on the other hand reflects the strategy Dunham et al. (2006) described as 'containment' which seeks to minimize potential damages by stakeholders. The frequency of interaction between the company and its stakeholder communities appears to be low, and the relationship management approach seem to focus on identifying and monitoring stakeholder interests and demands. The nature of interaction for firms that employ the 'containment' strategy has been described as 'adversarial' (Dunham et al., 2006). Although the findings indicate that the interaction between three companies and the stakeholder communities in the 1990s was mostly adversarial, the evidence suggests that AGIP is still likely to employ hostile strategies. Although Dunham et al. (2006) proposed the use of collaboration in managing relationship with 'communities of practice', cooperation in dealing with 'communities of place or interest', and 'containment' with 'virtual advocacy groups', the

findings in this study suggests that these three strategies are employed in managing relationship with 'communities of place', that is the local communities.

Conclusion

The findings of this study suggest that the three case study companies manage their relationships with their stakeholder communities somewhat differently. Total seem to employ a more systematic approach that allows it to maintain consistency in its relationship with its stakeholder communities. Although Shell's policy on community relations management is similar to Total's, its implementation strategy is different, and is more akin to a buffering strategy than a bridging one. The prominent role of NGOs and government officials in Shell's GMoU arrangement seem to create barriers between the company and its stakeholder communities (Harrison and St. John, 1996); meanwhile, Total's approach characterises a bridging strategy (as the company seeks to form strategic partnership with its stakeholder communities, and even refers to them as such). Partnering is considered proactive and builds on interdependence (Harrison and St. John, 1996). AGIP's approach to managing relationships with stakeholder communities also appears to be a buffering strategy, as the company seems to be aiming to shield itself from its stakeholder communities.

What is most interesting about the relationship between the oil companies and local communities that are affected by their operations is the evolving nature of their relationships and the relationship management frameworks the companies have deployed. What is unambiguous is that the driving force behind the changes in the relationship and relationship management frameworks seems to be the changes in the behaviour of the community stakeholders. By acquiring other attributes such as urgency and power, local communities with legitimate claims, who are the recipients of discretionary support from the companies, became expectant stakeholders through their pursuit of what they have deemed as urgent claims; finally attaining the status of definitive stakeholders (Mitchell et al., 1997) through their exercise of power to affect the operations of the oil companies by granting (or not granting) them social license to operate. The evidence also suggests that engagement practices such as intimidation, appeasement, and manipulation were devised to influence the behaviour of community stakeholders. However, the use of intimidation strategies prompted what Axelrod (1984) described as a tit-for-tat response from the communities, further aggravating the situation. Furthermore, the findings suggest that there is a link between four of the stakeholder engagement strategies identified, that is, appeasement, manipulation, consultation, and negotiation and the community relations policies the companies had in place at different times. For example, there seems to be a link between the appeasement and community assistance approach. When the companies switched to a community development strategy based

on yearly MoUs, the use of manipulative strategies was observed. Similarly the current sustainable community development strategy is based on consultation and negotiation.

Also it was found that stakeholder community issues became of strategic importance to the companies when they threatened the effectiveness of their operations. Thus different stakeholder management policies offer tailored responses to threats in the business environment. Stakeholder communities seem to be prioritised according to their potential to affect the operations of the companies. Thus, enlightened self-interest appears to the be the main driver of the community stakeholder management policies and the practices of the companies; this can be understood to mean that the companies relate with communities as stakeholders for the sole purpose of advancing their strategic objectives.

In order to further strengthen the validity and reliability of the research findings reported in this chapter, as well as to fill in the gaps in the presentation and interpretation of the data, the author presented the findings to some of the participants from the three case companies, who took part in the study, the community leaders and the NGO participants. The feedback received following the dissemination of the research findings is reported in the next chapter.

CHAPTER SIX

DISSEMINATION AND FEEDBACK

6. Introduction

The aim of this research has been to examine how multinational oil corporations operating in the Nigerian oil and gas industry manage their relationships with those community-based stakeholders who are negatively impacted by their oil and gas exploration and production activities. The findings of the empirical research undertaken were reported in the previous chapter. One of the challenges of management research, as discussed in Chapter Four, concerns bridging the gap between rigour and relevance. It has been argued that management research should not only contribute to the body of knowledge, but should also be relevant to practitioners. In an attempt to build a bridge between the theory of stakeholder management and its practice in a real-life context, the research questions in this study were derived from theoretical frameworks identified in the literature. The theoretical frameworks served as the lens through which the stakeholder management practices of the oil companies were analysed. Having thus analysed the data, it was deemed appropriate to report the findings to those who participated in the empirical study to ascertain the extent to which the researcher's interpretations of the data reflected their views.

Reporting and disseminating the findings of this research was thus not only an attempt to determine the relevance of the findings, but also an attempt to further assure their validity and reliability. It was also an opportunity to demonstrate the extent to which the data had been objectively analysed and the findings reported truthfully. Furthermore, Reason and Rowan (1981) noted that, "good research goes back to the subjects with the tentative results, and refines them in the light of the subject's reaction" (p. 267). Bloor (1983) also observed that receiving feedback on research findings may generate further data, which, while not necessarily validating the research findings, may open up interesting paths for further analysis (Silverman, 2005).

This chapter first outlines the aim and objectives of the dissemination process and the questions posed to guide its achievement. It then discusses the research method employed in order to achieve the aim and objectives. This is then followed by presentation, analysis and discussion of the findings from the feedback.

6.1.   Aim and Objectives

In order to further develop the findings of Project Two, the results were presented to the three oil companies, NGOs and community leaders who participated in the study described in Chapter Five for their feedback. This chapter thus reports the feedback on the main findings outlined in the

previous chapter in order to evaluate the findings and to further ensure their validity and reliability. In order to achieve this aim, the focus was on the two following objectives:

1. To further understand and interpret the practical implications of the stakeholder relationship management in Model 1[13], which shows the relationship between specific components of stakeholder management practice.

2. To determine if the oil companies stakeholder engagement strategies in Model 2 [14] accurately depicts the path the companies have taken in relating with community stakeholders and their issues.

6.2.   Research Questions

The following research question was developed to guide the process.

1. To what extent does the stakeholder engagement model reflect the practices of the oil companies?

2. To what extent does the stakeholder relationship management model reflect the relationships identified?

3. To what extent do the findings reported in Project Two capture the stakeholder management practices of the case study companies?

6.3.   Research Methods

6.3.1.   Data Collection Tools

Feedback on the findings of Project Two was collected via focus groups and individual interviews. An important distinction between focus group and individual interviews is that the former involves group discussions, whereas the latter does not (Vaughn et al., 1996). A focus group is "a way of collecting qualitative data, which – essentially – involves engaging a small number of people in an informal group discussion (or discussions), 'focused' around a particular topic or set of issues" (Wilkinson, 2004).

Focus groups were selected for a number of reasons; they are economical, fast, and have been shown to be an efficient method for obtaining data from multiple participants (Krueger and Casey, 2000). Focus groups allow research participants to discuss their perceptions, ideas, opinions, and thoughts in a less threatening way (Krueger and Casey, 2000). Another advantage is the socially oriented nature of the environment (Krueger, 2000) which allows participants to talk with each

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[13] See page 98

[14] See page 143

other and to ask questions. Furthermore, where homogeneity exists, as was the case when participants from the same company were interviewed - it creates a sense of belonging amongst participants, increasing their sense of cohesiveness (Peter, 1993), and helps them feel safe to share information (Vaughn et al., 1996). Krueger (1994) endorsed the use of very small focus groups, termed "mini-focus groups" (p. 17), which include three (Morgan, 1997) or four (Krueger, 1994) participants, particularly when participants have specialised knowledge and/or experience to discuss in the group.

6.3.2. Data Collection Process

The researcher had initially planned to conduct only focus group interviews with participants from the three case study companies, namely SPDC, Total and AGIP, but was ultimately only able to do so for SPDC and Total. A focus group session with AGIP was not possible due to the work schedule of the participants and findings were thus presented to AGIP participants individually. In SPDC, the focus group session involved four participants, three of whom participated in the main empirical work in Project Two. There were five participants from Total, three of whom also participated in Project Two. The findings were presented separately to the participants from the NGOs and communities. Although four people from four different NGOs participated in the main study, the researcher was able to present the findings to just two participants from two NGOs. Other NGO participants were not available. The researcher was able to present the research findings to the three community leaders that participated in Project Two.

6.3.3. Data Analysis

The first step in the analysis of recorded qualitative interviews is to transcribe the recorded data. Focus group analysis may be transcript-based, tape-based, note-based or memory based. Transcript-based analysis includes the transcription of videotapes and/or audiotapes. It is the most rigorous and time-intensive method of analysing data (Onwuegbuzie et al., 2009). Tape-based analysis is usually shorter than transcript-based analysis. When using this type of analysis, the researcher focuses on the salient issues and transcribes only the portions that capture them. In tape-based analysis, the focus group tapes are listened to and an abridged transcript is created. Note-based analysis entails the analysis of notes taken during the focus group and debriefing. Finally, memory-based analysis, which is described as the least rigorous method, involves recalling the events of the focus group and reporting them to interested parties (Onwuegbuzie et al. 2009). For this project, tape-based analysis was adopted, which was faster and allowed the researcher to focus on and transcribe only the salient sections of the discussions. As the informal nature of the discussions made it easy for the participants to deviate onto other topics and issues that were not relevant to the issues being discussed, tape-based analysis was deemed appropriate.

Leech and Onwuegbuzie (2007) identified four qualitative analysis techniques that can be applied to focus group data: constant comparison analysis, classical content analysis, keywords-in-context, and discourse analysis. This study employed the constant comparison analysis strategy to analyse the focus group and interview data. Constant comparison analysis, which was developed by Glaser and Strauss (Glaser, 1992, Strauss, 1987) and also known as the method of constant comparison, was first used in grounded theory research. Constant comparison analysis is characterised by three major stages. In the first stage, also known as 'open coding', the data are chunked into small units. Descriptors or codes are then attached to each of the units (Strauss and Corbin, 1998). In the second stage, the codes are grouped into categories; in the third stage, one or more themes that express the content of each of the groups are then further developed (Strauss and Corbin, 1998). Constant comparison analysis is particularly effective when there are multiple focus groups within the same study, which allows for saturation in general and cross-saturation in particular (Onwuegbuzie et al., 2009). With the multiple groups, the researcher was able to assess whether the themes that emerged from one group also emerged from the other groups.

Codes for Participants

In order to protect the identity of the participants, they were assigned codes that are used where direct quotes are provided. The assigned codes are as follows:

Table 8

Participants	Interviews	Participant Codes
Shell	4	S1, S2, S3, S4
Total	5	T1, T2, T3, T4, T5
Agip	3	A1, A2, A3,
NGOs	2	NGO1, NGO2
Community Leaders	3	*SCL1, **TCL2, ***ACL3
Total	17	

*SCL1 (Shell Community Leader), **TCL2 (Total Community Leader),
***ACL3 (AGIP Community Leader)

6.4.   Findings

The following themes emerged from the analysis of the focus groups and individual interview data:

1. Relationship between Stakeholder Management Components
2. Oil Companies' Engagement Practices
3. Selective Engagement
4. Damaged Trust
5. Collaboration and Partnership
6. Portfolio of Stakeholder Engagement Strategies

6.4.1. Relationship between Stakeholder Management Components

As reported in the previous chapter, the results of the quantitative analysis showed that stakeholder engagement was positively correlated with stakeholder issues, stakeholder expectations, and stakeholder management policies and practices. There was also a positive correlation between stakeholder engagement and the company-stakeholder relationship. A positive correlation was also found between stakeholder expectations and stakeholder issues, and between stakeholder expectation and stakeholder/company perception; and finally between stakeholder/company perception and stakeholder management policies and practices. These relationships were represented diagrammatically and are reproduced below to facilitate the discussion of the feedback received.

Stakeholder Relationship Management Model (Model 1)
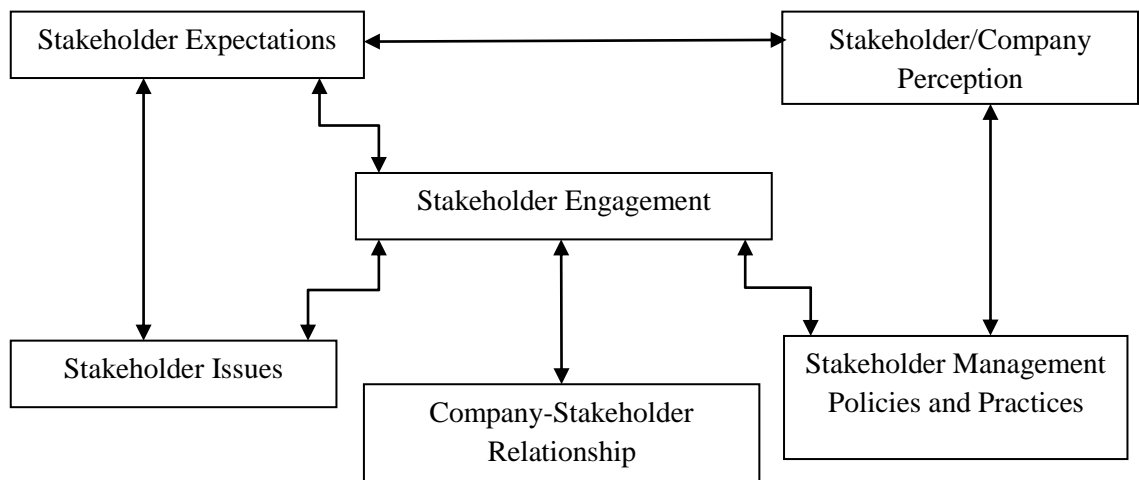
The correlations test performed in Project Two showed a positive correlation between these components, suggesting that they increase and decrease in the same direction. For example, if stakeholder issues increase, then stakeholder engagement will also increase. Also if stakeholder issues increase, then stakeholder expectations will increase. Positive correlation between these components thus indicates that they change in the same direction. Although the findings from the qualitative study and the stakeholder management literature provided important insights into these relationships, interesting perspectives were gleaned from the feedback received from the companies. In addition to understanding the relationship between these stakeholder management components, the nature of these relationships in practical terms was gleaned from the feedback received.

Since the data used to generate the relationships evolved from the responses to the questionnaires completed by the participants from the oil company, this model was only presented to the

companies for their feedback. Using the three main stakeholders issues - environmental, economic and social - arising from the operations of the companies, and which were impacting on the communities as a backdrop, a participant from Total explained that the way in which community stakeholders perceive the three issues identified determined the engagement strategies or management policy deployed by the company. Whilst the correlation test did not show a direct relationship between perception and stakeholder issues, from the point of view of the participants from the companies, there appears to be a direct relationship between community stakeholders' perception of issues and stakeholder management policies and practices as well as the engagement strategies. This explanation also highlights the relationship between stakeholder issues, stakeholder engagement and stakeholder management policies and practices as captured in the model. Engagement enables the company to understand how communities perceive these issues and this understanding influences the policies they put in place to address the issues. Engagement thus plays an important role in enabling the company to understand how communities perceive issues.

The participants from Total pointed out that the success or failure of any engagement strategy deployed by the company in turn influences the perception the community people have of the company. Although the above model does not show a direct relationship between stakeholder engagement and stakeholder/company perception, there is, however, a correlation between stakeholder/company perception and stakeholder management policies and practices, which is positively associated with stakeholder engagement. It may be argued that there is an indirect relationship between stakeholder/company perceptions and stakeholder engagement, for example negotiation, which is an engagement strategy that evolved from the current stakeholder management policies of the companies and has proven to be successful to some extent in not only addressing some of the concerns of the communities, but changed how the communities perceive the companies. These relationships highlighted by the participants from Total suggest that the outcomes of stakeholder engagement influenced how community people perceive the company.

From the focus group discussion, it was gathered that the way in which stakeholder issues are managed influences stakeholders' perceptions and expectations. Whilst there is no direct correlation between stakeholder issues and stakeholder/company perception, the findings of the qualitative study reported in Chapter Five points to a relationship between stakeholder perception and stakeholder issues. For example, the negative issues arising from the operation of the oil companies influenced how the communities perceived them, and consequently the relationship. In the focus group discussion at Shell, one of the participants also observed that there is a link between community stakeholders' perception and stakeholder issues, providing further light on the relationship between stakeholder perception and stakeholder expectations.

"The perception the community have with respect to how they are affected determines the issues they have with the company. Again, the perception the community people have about the company also informs the expectations they have of the company" (S4).

On the relationship between stakeholder expectations and stakeholder issues, one participant from Total explained that the issues are within the expectations, that is, the expectations stakeholder communities have of companies grew out of the three major issues identified in Project Two: environmental, economic and social issues. And the way in which the company engages with them on these issues of concern has influenced the relationship between the company and community stakeholders.

"The engagement process has a direct relationship with the quality of our relationship with stakeholders. The way you engage determines the relationship" (T2).

Another participant from Total added:

"When you have a good engagement process, it makes for a good company/stakeholder relationship" (T5).

Participants from Shell shared a similar view:

"Whatever step (of engagement) is used affects the quality of the relationship, but again, conversely, the approach that is chosen also depends on the perception, expectations and issues. The issues at stake also determine what approach you are going to use, to intimidate, appease or negotiate" (S3).

Thus the expectations of community stakeholders and the issues involved also seem to influence the engagement strategy deployed. In particular, the nature of stakeholder issues is said to determine the approach the company uses in addressing the issues. For Shell, the engagement strategies employed seem to be influenced by the perception of both the stakeholders and the company. For example, one participant from Shell explained:

"When people come to us and we see them as reasonable, then we create room for dialogue. But when they come with an intimidating or threatening attitude, we take the necessary actions to protect our facilities and ourselves, and this is what they (communities) call intimidation" (S3).

Also stakeholder engagement is used to manage community stakeholders' expectations. One of the participants explained:

"The way you can manage expectations is through engagement. First of all, we engage to take care of expectations, bringing it to the manageable level and then you perform to meet the level you have brought the expectation to" (S4).

Whilst in the model there is no association between perception and stakeholder engagement, the discussions suggest that the two variables are interdependent. For example, one of the participants also pointed out that:

"The perception of the people also determines what approach we use in engaging them" (S1).

This implies that the perception the company believes the stakeholders have of them informs the engagement strategy employed. Also how the company perceives community stakeholders also informs how it relates with them. For example, one participant from Shell stated, "We perceive the communities as being adversarial, so we are careful [of] the way we relate with them" (S3).

A participant from Total made a similar point, that the company's perception also influences how they relate to community stakeholders. The above statements further confirm the findings reported in Chapter Five that the approaches the companies have used in the past and deploying currently are a reflection of the perceptions they have of the communities at different times.

The participants from AGIP did not provide much feedback on this model; they simply stated that the model captures the relationships between the variables quite well. Overall, the feedback from AGIP was not as robust as the researcher would have liked. The presentations in the company were interrupted incessantly by phone calls, visitors, and urgent issues the participants had to deal with. The participants were very distracted for the most part. The researcher attributes the scanty feedback from the AGIP participants to the fact that they were under work pressure at the time of the presentations.

Model 1 was presented with the objective of gaining further insight into the nature of the relationships between variables. The discussions with the participants from Shell and Total highlighted the importance of stakeholder engagement to the relationship between the companies and the communities. Whilst the model did not show any relationship between stakeholder issues and perception, the way in which community stakeholders perceived issues arising from the operations of the companies determined how the company engaged with them and the frameworks they employ to address the demands placed on them. For example, in Project Two it was found that the stakeholder communities focus more attention on their socio-economic needs, with the environmental issues being used as a justification for the demands they make of the companies. Thus, with the communities giving more attention to community development, the companies' strategies are designed to address the needs the communities highlight. The findings suggest that the way the companies perceive the community stakeholders also influence the approach they use in relating with them. For example, if company perceive community stakeholders as reasonable and open to discussion, a more relational approach would be employed, but if community

stakeholders were perceived as adversarial, the company would also tend to employ an adversarial approach.

The feedback on Model 1 further supports the correlation between stakeholder expectations, stakeholder issues and stakeholder engagement found in the quantitative study. A change in one bring about changes in the others, for example, if stakeholder expectations change, the companies change their engagement strategies to adapt to the changes in stakeholder expectations. The findings suggest that changes in community stakeholders' expectations influences how the companies engaged with them. It was also confirmed that unmet expectations resulted in issues arising between the companies and the people in the community. The nature of the stakeholder issues also seems to determine the engagement strategies employed by the companies. And stakeholder expectations, perceptions and issues are managed through engagement. The feedback indicates that the way in which stakeholder expectations and issues are managed in turn influences how communities perceive the company and the relationship between communities and companies.

The feedback received from the oil companies provided further insights into the relationships captured in Model 1, and also highlighted other relationships that were not revealed by the statistical analysis. An important point to note regarding this is that the data that produced the results that enabled the formulation of the above model were drawn from a sample that is not fully represented in the focus group sample. Based on the feedback received and the discussion on Model 1 above, the researcher developed the model in the figure below. This may be empirically tested with a larger sample in future research.

Figure 19

Stakeholder Relationship Management Model (Modified)
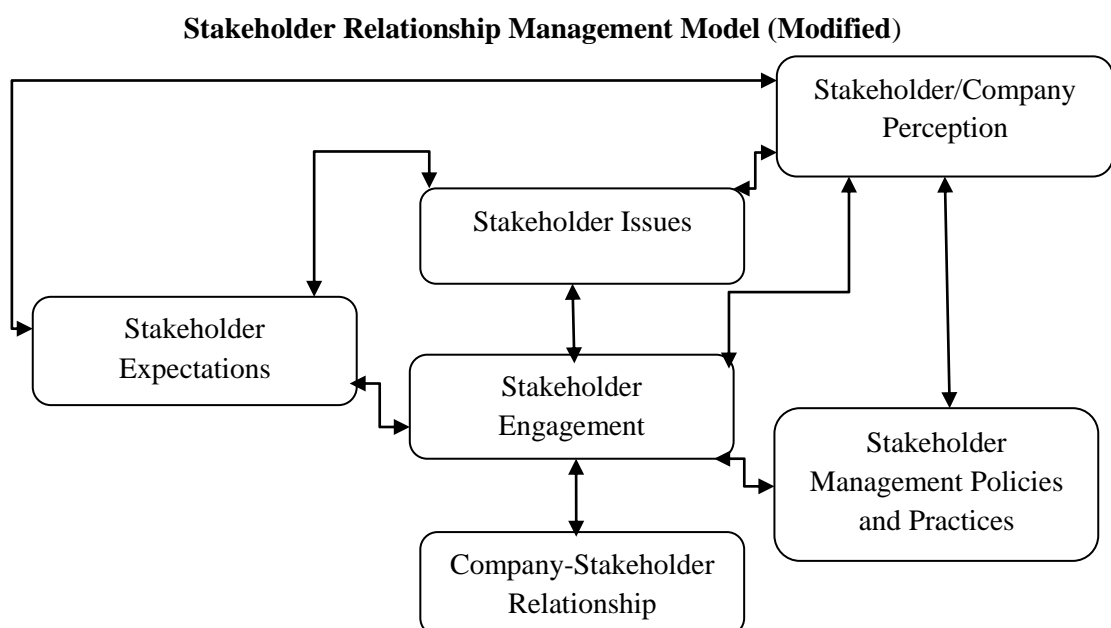
Bourne (2009) argues that managing stakeholder relationships involves identifying stakeholders, understanding their expectations, managing their expectations, monitoring the effectiveness of stakeholder engagement activities, and undertaking a continuous review of the stakeholder community. Feedback from the companies discussed in the preceding section suggests that not only stakeholder expectations, but also their issues and perceptions, are managed through stakeholder engagement. It was also gathered that the way in which the companies manage community stakeholders' issues and expectations influences how communities perceive the companies. Ackerman and Eden (2003) argue that perception drives interpretation and subsequent actions. In relationships, perceptions and expectations need to be managed and effective communication (engagement) is important to managing perception and expectations (Bourne, 2009).

The focus group confirmed that changes in stakeholder communities' expectations influenced changes in the stakeholder engagement strategies and management policies of the companies. Chinyio and Akintoye (2008) observe that engagement enables an organisation to understand the expectations of its stakeholders and to keep them informed. As observed in this study, the poor engagement practices employed by the oil companies in the early 1990s may have prevented them from fully understanding the changing expectations of the community people. The evidence indicates that rather than engaging in dialogue with community people, the companies resorted to intimidation, which participants from the NGOs and communities believe resulted in the breakdown of the relationships. Bourne (2009) argued that an effective engagement strategy should address issues arising from the relationship. An engagement strategy that does not effectively address the issues it was designed to address may therefore be said to be a failed engagement strategy (Bourne, 2009). The engagement strategies employed by the companies in the early 1990s indicates an unwillingness to address the issues arising in communities. Thus, rather than addressing the issues and developing strategies for dealing with them, companies focused on satisfying the interests of a few community members. Bourne (2009) noted that an engagement strategy must not only satisfy the ends of the organisation, but must also satisfy those at the other end of the spectrum; that is, it must be mutually satisfying. The findings of this study suggest that the engagement strategies and management policies the companies employ are mostly aimed at advancing their strategic interests.

6.4.2. Oil Companies' Engagement Strategies

In Project Two, it was found that the increase in the negative impacts of oil companies' activities on local communities and the engagement strategies employed by the companies in response to the concerns of the community led to a breakdown in the relationship with the companies. This

section presents and discusses the feedback received on the engagement practices identified. The model developed in Project Two is reproduced below to facilitate discussion in this section.

Oil Companies' Engagement Practices (Model 2)
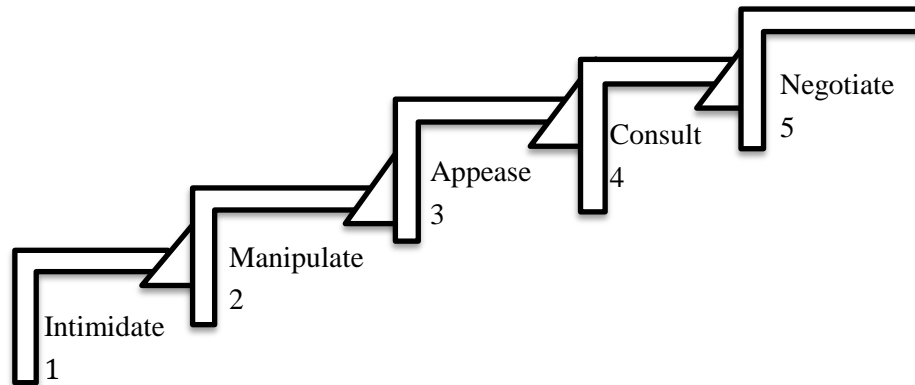
In Project Two, findings suggest that intimidation was mostly used in the early 1990s when community protests were widespread. Intimidation in the context of this study occurs when there is an easy resort to the use of force or when issues are resolved by the use of force rather than dialogue, and where security forces are present in company premises and facilities, so that community people do not have avenues to express their concerns. The findings suggest that intimidation strategies were employed in an attempt to instil fear in community stakeholders or to discourage community stakeholders' actions against the companies. In addition, the findings from the feedback suggest that the companies also employ this strategy when confronted with community stakeholders they considered hostile and adversarial.

Interestingly, when the steps of engagement were presented to the participants from the three case study companies, almost all participants expressed discomfort with the 'intimidation' strategy identified. This was presented as the first step of engagement taken by the companies in dealing with communities. One participant from Shell stated:

> "We do not agree that we started with intimidation. We are saying that it started on a better note. There was a good time, but then issues came up and we looked for ways to manage the issues" (S2).

A participant from Total suggested that the term 'intimidation' should be removed; pointing out that the company did not begin its relationship with the communities from that point of view. The researcher was advised to use a "more suitable term" (T3).

Participants from AGIP asserted that the company had never employed intimidation or manipulation strategies in dealing with community stakeholders, although the evidence obtained in Project Two revealed otherwise. The following quote was drawn from a feedback session with one of the participants from the company:

"There is no time that we have intimidated community people; I don't think so. It's just that in the past the relationship was not as participatory as it is now" (A2).

The participant further pointed out:

"The communities believe that we are always operating from steps one (intimidation), two (manipulation) and three (appeasement); whatever we do, they still suspect us. They will say we are intimidating them. We appease them, no matter how much effort we put in, they don't believe" (A2).

The explanation provided by this participant is contradictory; in trying to dispute community perception of the engagement strategies the company used, the participant still confirmed that the company uses step three, which is appeasement. Furthermore, another participant implied that the company employed the strategy of intimidation:

"Now they (communities) intimidate us; before we were intimidating them, but now they are intimidating us. They manipulate us; they try to negotiate with us. To intimidate us, they go and shut-in our wells, and harass us. What we used to do to them before, they are doing to us now, and they will kidnap our staff and do all sorts to get our attention" (A1).

After suggesting that the company used intimidation and manipulation strategies in dealing with communities in the past, in the course of the discussion, the same participant stated that:

"We don't use intimidation, we don't do that; we are really on steps four and five" (A1).

Another participant from AGIP also confirmed that communities use similar strategies in their relations with the company.

The participants from Shell also claimed that community people intimidate and manipulate them:

"The community people intimidate us; they also manipulate us" (S2).

This feedback confirms the observation made in Project Two that community stakeholders use what Axelrod (1984) described as 'tit-for-tat' tactics. Put another way, community stakeholders now mirror the companies' engagement practices. Interestingly, participants from Total did not say anything about community people intimidating or manipulating them.

In both the focus group and one-on-one discussions, the oil companies pointed out that even though they did not have a formal or structured engagement process in place when they first started operations, they consulted with the community people. To reinforce this point, one participant from Total pointed out that:

"You can't enter into somebody's territory without really talking with him; there was a level of communication" (T3).

Another participant from Total shed further light by adding that:

> "The thing is that the communities were marginalised in the consultation. We consulted with specific people out of ignorance, but we were still talking with community people" (T4).

A participant from AGIP made a similar point:

> "Actually in every community, there is no way we can deal with everybody at the same time. Communities are expected to have leaders, and we consult with these leaders, and they recommend what we need to do and we implement" (A1).

One of the NGO participants observed:

> "Since it is a broad classification of the stages of engagement, it's not all the companies that are consulting, and even if they are consulting, they are not consulting all the time. They consult when they feel they should, in some cases they manipulate" (NGO2).

Making a similar observation, the second NGO participant stated:

> "Personally I don't agree that the oil companies attempted to consult. Consultation was more from the communities. If there is separate diagram, I would rather say the communities started with consultation, because with all the litigations and all that. Even now they try to consult but it depends on the oil company, some oil companies are easier to deal with than others" (NGO1).

One of the community leaders who participated in the main study also expressed a similar view to the NGOs. The community leader commented that:

> "There were no consultations previously, no real consultation, they just come into the community and carry out their operations. There were not consulting at all. They started consulting and negotiating, when they realised that the community people were becoming more aware and knowledgeable" (SCL1).

The community leader from Total's host community made a similar point confirming the use of intimidation strategies:

> "You are correct to put intimidation first, because when the people started protesting, they brought in soldiers to intimidate them. They harassed the people in the communities, until they saw that the approach was not good so they used another approach, divide and rule system" (TCL2).

The community leader further added:

> "When intimidation did not work out, then they tried to empower some people, to appease a few. Still it didn't work out, so they said the best thing is to let the communities decide what they would do for them, and that's when they started consulting people" (TCL2).

The above explanation suggests that the company mainly consulted with community leaders in the early days, which probably accounts for the engagement not being participatory. Participants from the companies pointed out that in consulting with just the community leaders at that time, they were simply trying to respect the traditional leadership structure. The above quotes show that the participants from the oil companies and those from the communities and NGOs disagree on the initial engagement strategy employed. The views of the participants from the companies suggest that they started with consultation, while those of the community leaders and the NGOs suggest that the companies did not consult with the communities; rather, it was the communities that attempted to consult with the companies. The participants from Shell argued that the steps of engagement captured in the model presented did not fully represent the progression of the company's relationship with communities. However, the researcher explained that the model was not designed to capture the progression of the relationship between the company and stakeholder communities, but rather the ways in which the company had responded and continued to respond to community stakeholders and their issues.

Although the companies did not accept that they employed intimidation strategies in dealing with community stakeholders, the evidence gathered in Project Two indicated that intimidation was widely used by the three companies in the early 1990s, and it is believed that the companies still employ this strategy, depending on the issues and stakeholders involved. The participants from Shell suggested that the first step in the model should be 'consensus', to reflect the nature of the relationship. However, the term does not depict an engagement practice in the context of the model.

Shedding further light on the evolution of the company's engagement practices, one of the participants from Shell remarked:

> "The way I am looking at it, there was a consensus; after that consensus, there was this level of appeasement, where the community assistance and programs were brought on board to try to appease them. So during the process of appeasement and so on, then somehow, communities started agitating, wanting some more" (S1).

The participant further added that:

> "In the process of doing that appeasement, we still had some levels of consultation still going on" (S1).

The feedback discussion suggests that the social acceptance extended to the companies by the communities in the early days was laced with expectations, as revealed in Project Two. The communities somehow expected their lives to change for the better as a result of the presence of the oil companies. One participant from the company recalled:

"They (communities) had very, very high expectations. As time went by, that high expectation began to sort of thin out. The people expected their lives to change, and for things to start flowing to them, but that did not happen. So they were disappointed. So we began to try to have some kind of consensus, we began to sort of appease them. So the consensus sort of led to appeasement" (S1).

Communities thus had expectations even before the oil companies' operations began to negatively affect them. The oil companies responded to these expectations with community assistance, which was well received, as found in Project Two. The responses of the above participants suggests that before the community people started protesting and agitating, the company consulted with them, had some kind of consensus with the communities and sought to appease them through community assistance programmes. The community assistance agenda was thus aimed at closing the expectation gap.

The participants from Shell further pointed out that the engagement strategies in the model were not sequential as presented by the researcher. One of the participants suggested thus:

"These strategies can be put in a basket rather than in a sequential framework to show that anyone can be used at any time, depending on a number of factors" (S2).

Another participant from the company commented:

"I agree with the rest of the house that it is (engagement) not a sequence as you depicted in the model, however, in the cause of our relationship, these steps of engagement interplay; sometimes we use this approach, other times we use another approach, so it is not actually a graduation, depending on situation and the person that is managing the situation, he decides to deploy whatever technique that would bring about the desired result" (S4).

One of the NGO participants expressed a similar view:

"The oil companies might use intimidation, manipulation and appeasement at the same time to address just one issue, and depending on who they are dealing with, and what is at stake at that point in time" (NGO1).

The NGO participant further explained that:

"When they (community stakeholders) become aggressive, that is when you see the companies coming with their intimidation, manipulation, in fact, it's not just one, they might use three approaches at the same time, depending on the situation they have to deal with" (NGO1).

The above views seem to confirm that intimidation, manipulation, and appeasement were or are engagement strategies the companies employ. However, while the model shows a progression, discussions suggest that the strategies are used concurrently and depend on the issues at hand and the stakeholders involved. From the discussions, it was gathered that those who interfaced with the

community stakeholders might also exercise personal discretion in the engagement process, employing strategies that were most likely to yield desired outcomes.

6.4.2.1. Selective Engagement

As noted earlier, in Project Two the findings from the qualitative study suggested that appeasement was mainly used in dealing with a few powerful and influential community members, armed militant groups who threatened the companies' operations, and corrupt community leaders. Analysis of the focus group and individual interviews revealed that appeasement was used in the early days in the form of community assistance to close communities' expectation gaps.

The NGO participants believed that the companies undertook selective consultation and negotiation:

> "From what you have said, the companies are at the relational stage of engagement, which has to do with consultation and negotiation, but my concern with that is that the consulting is not participatory. Who are they consulting with? Is it the same kind of patronage network?" (NGO2)

The patronage network consists of the powerful and influential community members. The second NGO participant also referred to the patronage network as the main benefit captors. The participant was of the view that members of the patronage network manipulate the relationship between the companies and communities for their own ends. According to the NGO participant:

> "When you talk of relationship between the company and the communities, this patronage system is a big challenge, it goes two ways, it's a big challenge for some people in the community who want to bring about a change in this relationship whereby not only a few will benefit but the whole community." (NGO1)

Whilst the companies might be seeking to break away from these patronage networks, the NGO participants believe that they are so entrenched that it is difficult to avoid them. The NGO participant further commented:

> "It [patronage network] is also a challenge for oil companies who now want to deviate from this patronage system and come to the level of partnership. That is where you see some people in the community fighting to ensure that the oil companies maintain the status quo." (NGO1)

The NGO participant further added:

> "If the company patronises particular individuals in the communities, these same individual would instigate a crisis in the community and then call the oil companies to inform them, pretending to be the ears and eyes of the company in the communities, creating the impression that they are looking out for the interest of the company." (NGO1)

This implies that community members who benefit from the oil companies seek to maintain the status quo; and that they are the ones who use manipulative strategies against the companies so as to maintain and protect their personal interests. The NGO participant believe that community members in the patronage network use their power and influence to intimidate not only other community members, but also use community people, particularly youths, to cause problem for the companies. The patronage network is thus not only a problem for the oil companies; but is also a problem for the communities.

In Project Two, it was found that the preferential treatment of a few people in the communities created internal conflicts within the communities. According to one participant from Shell:

> "There was internal discontent within the communities, where those who had the opportunities; that is, those who had the initial contact with the company were given opportunities, and they entrenched themselves and became benefit captors. For example, there are some families that are synonymous with Shell operations, they were benefiting from the company, building good houses, their kids were going to school, and then other sections of the community were sort of not benefiting, or getting the same opportunities" (S4).

The participants from AGIP also spoke extensively about the elites, according to one participant from the company:

> "The elites in the communities are the ones that are manipulating the rest of the community people and making them believe that the oil companies are the cause of their problems. These same elites come to the oil companies to ask for jobs and contracts" (A3).

As pointed out earlier, the elites, some of whom are traditional rulers in the communities, are the ones the companies claim to have engaged with to show respect for traditional leadership structures, and in order not to upset the traditional governance structures in place. One participant from AGIP explained:

> "We always try to avoid upsetting the balance that exists in the community. For example, if there is a powerful person in a community, and we give a contract to another member of that community, that powerful person would come to ask us why we gave somebody else in his community that contract. We either beg him or take back the contract from the other person" (A1).

The above statement implies that the company feels compelled to indulge these elites even though some of them appear to be pursuing only their personal interests. The evidence suggests that the kind of power or authority these elites wield in their communities is one of the reasons the companies resorted to appeasement. While the companies seek out powerful and influential community members to try to influence them by granting them special attention, these same elites in turn also seek ways to manipulate the companies to maintain the status quo.

The participant from AGIP added:

> "We are basically left to find a way to navigate around these thorny issues. So sometimes these so-called powerful men are useful to us in this direction, we ask them to help us protect our facilities" (A1).

The approach is consistent with Roloff's (2008) observation that managers often end up focusing on and addressing the claims of powerful and vocal stakeholders who can affect them rather than the vulnerable or marginal stakeholders who are solely affected by the activities of their organisations, because it assures organisational control in the short term. This trend arises from the excessive focus on and attention to the organisation's welfare, with practitioners and scholars churning out frameworks which organisations can use to identify and keep powerful and influential stakeholders under control (Jones et al., 2007; Phillips, 2003). Zadek and Raynard (2002) pointed out that engaging with stakeholders who do not represent the interests and concerns of the larger stakeholder group could potentially invalidate the process. Friedman and Miles (2006) argue that a key factor in stakeholder engagement is whether stakeholders meaningfully and actively participate in the engagement process. From the discussions above, it is evident that the engagement practices of intimidation, manipulation and appeasement fell short in this regard.

6.4.2.2. Damaged Trust

Hosmer (1995:393) defined trust as "the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group, or firm to recognise and protect the rights and interests of all others engaged in a joint endeavour or economic exchange." The findings in this study suggest that trust between communities and the oil companies has been damaged by a number of factors, including the engagement practices of the companies. In Project Two, it was found that the engagement strategies used by the companies in the past, particularly intimidation, manipulation and appeasement, seriously undermined the relationship between companies and communities. In particular, selective engagement strategies like appeasement and manipulation undermined the trust the communities had for the oil companies, and created an atmosphere of suspicion amongst community members, and mutual distrust between the community people and the oil companies. According to one participant from Shell:

> "Previous experiences in the course of our relationship also influence their perceptions of us. For example, the issue of trust has played a major role in how communities perceive us and how we perceive them. It is broken trust that has changed the perception of community stakeholders and their (communities') expectations as well" (S2).

In Project Two, one of the NGO participants was of the view that the only way in which the relationship between the oil companies and the communities could improve was if the companies changed the way in which they engaged with the community people. According to the participant,

the companies still employed engagement strategies, such as appeasement, manipulation and intimidation, and as long as they use these strategies, their relationship with the communities will continue to be laced with hostility and distrust.

Another participant added:

> "There is mutual distrust between the company and the communities as a result of broken promises. The way the communities have behaved in the past also influences how we respond to them and their expectations" (S2).

Kent and Taylor (2002) argue that without trust, commitment, satisfaction, control mutuality and dialogue relationships wither. Similarly, Morgan and Hunt (1999) and Jahansoozi (2006) point out that the long-term viability of a relationship depends on mutual trust and commitment, and pursuing mutually beneficial agendas. Svendsen (1998) also notes that trust is essential for building strong relationships with stakeholders. Jahansoozi (2006) observed that when trust declines as a result of conflict or crisis, or has been eroded over time owing to perceived organisational behaviour, transparency becomes vital for rebuilding trust.

One of the community leaders observed:

> "Because of the appeasement and manipulation strategies the companies used in the past when people from the communities go to the companies to negotiate MoUs, the rest of the community people don't trust those who go to represent them. They always feel that those who go to talk with the companies have gone to sell out" (ACL3).

As the findings in Project Two suggest, distrust amongst community members seem to have it easy for the companies to continue to use manipulation and appeasement strategies. Appeasing influential and powerful stakeholders with contracts or gifts is not something the companies did openly. As the findings discussed in the previous chapter reveal, these secret rendezvous backfired on the companies, as they could not expose those they had appeased in secret. Jahansoozi (2006) noted that transparency promotes accountability, collaboration, cooperation and commitment and that it is a critical factor in rebuilding trust.

6.4.2.3. Collaboration and Partnership

In the course of the focus group and individual presentations, the researcher proposed two more steps of engagement: collaboration and partnership as a strategy for strengthening the relationship between the companies and the communities and rebuilding trust. These steps were proposed based on the findings in Project Two which showed that even though companies have come to a level of understanding with stakeholder communities through the MoU agreement, the fact that these signed agreements are not legally binding on both parties creates room for each party to

breach them at will. Collaboration and partnership are presented as the sixth and seventh steps in the figure below.

Figure 20

Steps of Stakeholder Engagement
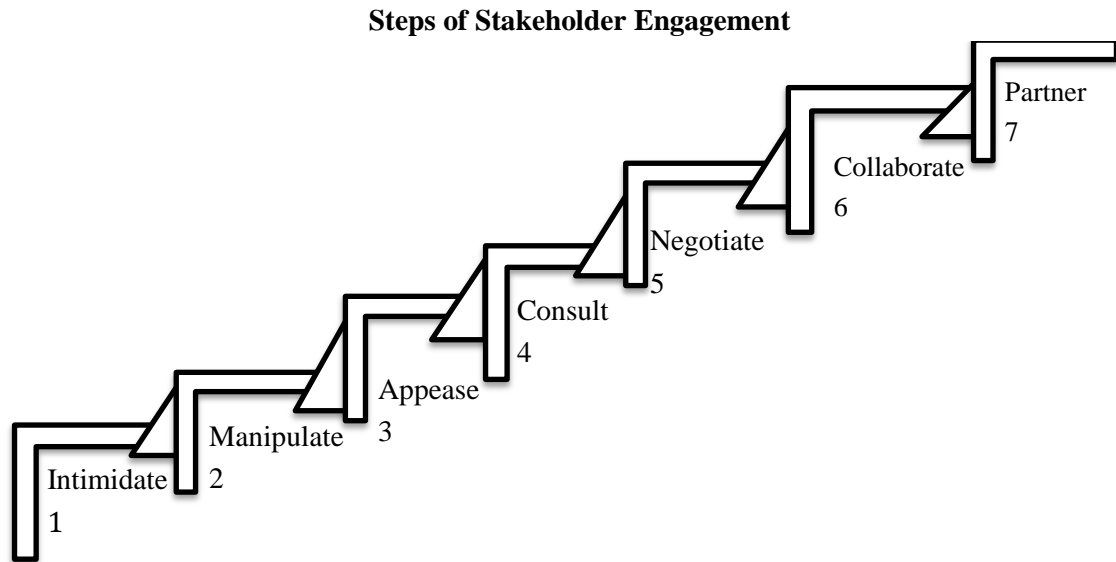
When the participants from the oil companies were asked if collaboration and partnership with stakeholder communities was a goal to which their companies could aspire, the participants from Total claimed that their company was already relating with its stakeholder communities as 'partners'. The discussions revealed that Total views its MoU arrangements with stakeholder communities as some form of 'collaboration' and 'partnership', because the company works alongside communities to deliver community development projects. According to one participant from the company:

> "For now, we are partnering, but whatever budget the community is working with, we are there as partners to assist them to get what they want" (T2).

With the development of a more structured stakeholder community engagement strategy, which is deployed through MoU agreements, the companies have to some extent been able to work out oil benefit distribution plans that target communal interests. For example, in the MoU agreements, communities are encouraged to identify projects that would benefit whole communities rather than solely individuals, as was the case in the early days when there were no frameworks in place for dealing with the generality of community stakeholders. Thus, for Total, 'partnership' involves working with stakeholder communities to meet their needs. Community ownership of projects through this 'partnership' framework is a fundamental part of the company's community relationship building agenda. According to one participant from the company:

> "The essence of partnership is that each party has a stake. We contribute different things to the common cause. They bring land or they provide security, and we bring the resources

they need for their community development. If they stop us from working, we stop these services" (T3).

The company views its relationship with stakeholder communities as a 'partnership', and believes that this approach allows the communities to assume some responsibility in the relationship and not simply see the company as a means to their ends. For Total, partnership with stakeholder communities is therefore embedded in the notion of working together to achieve outcomes that produce mutual benefits. The participants generally see this approach as encouraging greater community participation in and ownership of development projects, which in their view results in sustainable development, because the sustenance of the projects then rests with the communities.

The community leader from Total's host community confirmed the company's stance:

> "Total believes that if they are in partnership with the communities, their facilities will be protected. The company feels that if they don't enter into partnership with the communities, their facilities will not be protected, that is why they are in partnership with us" (TCL2).

According to one participant from AGIP, "Collaboration is where the communities cooperate with you, and for that to happen, they have to be benefiting something directly from the company" (A3).

Another participant from AGIP added:

> "As it is now, you are proposing partnership and collaboration, but like I said before, the most we can do is to negotiate as we are negotiating now; maybe part of consultation and negotiation. To collaborate and partner is going to be enabled by the law" (A1).

However, one of the participants from the company believes that partnership between the company and communities can be achieved if the company is willing to make substantial investments in projects that benefit a larger segment of the communities:

> "I think we can get into a partnership relationship if the company invests substantially in viable projects for communities, and if these investments benefit the whole community and not just a few" (A2).

However, this participant also pointed out that the process is still very much dependent on the support of the government, the senior partner in the joint venture agreement:

> "Partnership between the company and the communities can only be feasible if the government, who is the senior partner, drives it. And that may require making new laws to that effect" (A2).

Another participant from AGIP shared the same view:

> "Partnership and collaboration is where we finally hope to arrive, but that would require a lot of government support, to bring the community to the business as partners, so that disruption to the business would also be their own problem" (A1).

Likewise, participants from Shell were also of the view that collaboration and partnership with stakeholder communities could only be possible if the government changed the laws governing the industry to give communities a stake in the industry.

> "The easiest way the communities can have the kind of stake that would give them some sense of ownership in the industry is for government to change the laws governing the industry" (S2).

Another participant from Shell explained further:

> "The resources under the ground belong to the government, while the companies have the requisite expertise to exploit these resources. Under a different circumstance, the communities might have been able to use their land as a basis of seeking partnership with the oil companies, that is, if the ownership of the land and the resources under the ground for that matter was vested on the communities." (S1)

One of the NGO participants, however, observed that:

> "If the companies sincerely collaborated or partnered with the communities, they will work to protect the interest of the company, knowing that they have a stake in the success of the company. What is observed is a situation whereby the interests of the communities are not taken into consideration, and even when attention is given to them it is to facilitate the interest of the companies" (NGO1).

Whilst companies like Shell and AGIP believe that collaboration and partnership are only feasible with the federal government's support, Total already sees its stakeholder communities as partners and designs its social intervention programmes in such a way that the communities feel a sense of belonging and ownership. The NGO participants pointed out that the lack of a sense of belonging makes it easy for communities to breach MoU agreements reached through negotiations, just as the oil companies can easily renege on these agreements as they are neither legally binding or enforceable by law. The GMoU or MoU agreements are more or less implicit contracts. Svendsen (1998: 43) described implicit contracts as "those in which obligations or deliverables cannot be precisely specified in advance." Due to the informal nature of implicit contracts, compliance is dependent on the reputation and trustworthiness of the parties (Svendson, 1998). De Cremer and Dewitte (2002) argue that for collaboration to occur, parties in the relationship need to trust each other and be assured that whatever is agreed on is upheld. Additionally, Svendsen (1998) pointed out that honest and respectful communication is essential for creating trust, a condition that is vital for collaboration. Thus, while Shell and AGIP emphasise that government involvement is a

prerequisite for a collaborative or partnership relationship with stakeholder communities, the lack of trust between the communities and the companies appears to be a more fundamental problem. If collaboration is to work, trusting relationships between a company and its stakeholders must be developed (Svendsen, 1998).

According to one of the community leaders, the communities that are affected by the operations of companies should demand the adoption of collaboration and partnership approaches. The following quote was drawn from the discussion with the community leader.

> "Collaboration and partnership will only come from the communities. AGIP or Shell or any other oil company for that matter will not come to us to say let us collaborate or partner; it is the community people who would say we must be partners in this business" (ACL3).

The community leader further added:

> "These oil companies are in business to make profit, so if collaborating or partnering with communities will reduce their profits, there is no way they will initiate those steps. It is the communities that are affected that can insist on partnership, so that they too can benefit" (ACL3).

The point made by the community leader echoes Evan and Freeman's (1993: 82) view that, "Groups must participate, in some sense, in decisions that substantially affect their welfare". However, all indications suggest that effective collaboration and the partnership relationship between companies and stakeholder communities will depend on the willingness of the government to make changes to some laws governing the oil industry, the willingness of the oil companies to relinquish some power to stakeholder communities and to share some control, as well as to loosen the reins of authority in the discharge of their strategic agendas (Svendsen, 1998). Finally, it will also depend on the readiness of stakeholder communities to make a collective demand for such a privilege and their willingness to accept responsibility for their wellbeing. Collaboration and partnership between oil companies and communities is thus dependent on the government, oil companies and communities.

6.4.2.4. Portfolio of Stakeholder Engagement Strategies

Although the three companies disagreed with the order in which the engagement practices are presented in the model, the feedback and discussions confirm that the companies have used the different engagement practices identified in Project Two at some point. Regarding the first three steps of engagement in the model, companies, NGOs and community leaders differed on which step came first and whether the oil companies or the communities started with consultation. The oil companies claimed that they started off with consultation as they had the social acceptance of the communities in the early days. The NGOs believed that the communities were the ones who

initiated consultation. Notwithstanding the differences in perspectives on the progression or sequence of engagement practices, what is important is that the first three steps of engagement - intimidation, manipulation, and appeasement - compromised and undermined the relationship between the companies and the communities. The model in the figure above depicts a progression from unfair and unethical engagement to more acceptable practices. Intimidation, manipulation and appeasement strategies can thus be described as lower-level engagement practices, while consultation, negotiation, collaboration, and partnership can be described as higher-level engagement and relationship management strategies.

As Silverman (2005) notes, feedback may open up interesting paths for further analysis. The feedback received provided another angle from which these engagement practices may be viewed. For example, participants from the oil companies and NGOs pointed out that engagement approaches are usually deployed concurrently depending on the issues and stakeholders involved, as well as on other factors. This new perspective finds support in Chinyio and Akintoye's (2008) study, which found that two or more stakeholder engagement approaches could be used simultaneously. Chinyio and Akintoye (2008) point out that it may sometimes be necessary to use a combination of approaches to engage with stakeholders. They believe that the fluid and dynamic nature of stakeholders necessitates the choice and use of any engagement approach or a combination of approaches (Chinyio and Akintoye, 2008).

Based on the new insight gained from the feedback on how the companies engage with community stakeholders, a third stakeholder engagement model was developed. See the figure below. In this model, the engagement strategies are represented in what looks like a portfolio, and called 'portfolio of stakeholder engagement strategies'.

Figure 21

Portfolio of Stakeholder Engagement Strategies (Modified)
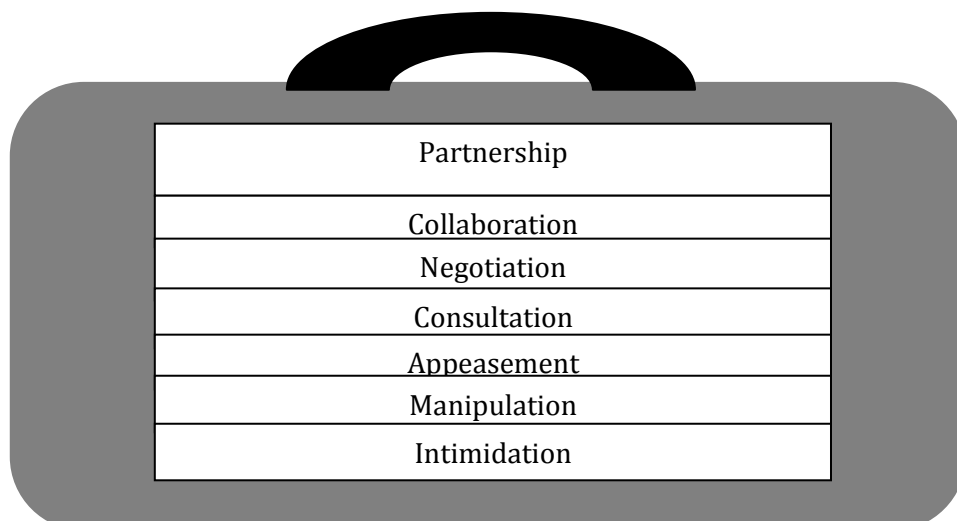
Representing the engagement strategies as 'portfolio of stakeholder engagement strategies' suggests a range or collection of engagement strategies from which the companies draw from depending on the issues and the type of community stakeholders they are dealing with. In the portfolio, each engagement strategy is in what looks like a file, and labelled accordingly. This model thus represents the range of stakeholder relationship management strategies that might be available to managers. The important aspect of the engagement strategies depicted in the models above is the impact each strategy can have on the relationship between a company and its stakeholder. If, as suggested by the feedback received, the case study companies keep in their engagement portfolio practices such as intimidation, manipulation, appeasement, it may be argued that wherever and whenever the companies employ such unethical engagement strategies, the outcomes and impacts on the relationships might be predicted. For example, the findings indicate that the use of intimidation instigated a reciprocal action from community stakeholders. While engagement strategies such as manipulation and appeasement undermined trust between the companies and stakeholder communities, and amongst community members. Additionally, the evidence suggests that the adoption of consultation and negotiation improved the relationship between the oil companies and the communities. Thus, for managers seeking to build and maintain a good relationship with nonmarket stakeholders like communities, the model above offers a range of engagement strategies which have implications for their stakeholder relationships. Based on the evidence gathered in this research, it is argued that the adoption of each of the engagement strategies identified has implications for the firm-stakeholder relationship. And even though the engagement strategies are represented in what looks like a portfolio in Figure 21 above, unethical engagement strategies, such as intimidation, manipulation and appeasement are still located at the bottom of the portfolio. It is important to point out that the 'portfolio of stakeholder engagement strategies' model above mostly attempts to depict how the case study companies view and deploy their stakeholder engagement strategies. Whether other firms or managers would find this representation of stakeholder engagement strategies useful is a question that can only be answered through further empirical studies, particularly in view of the context-specific nature of the findings from which the model was developed.

Greenwood (2007) has argued that firms use engagement as a mechanism for consent, control, cooperation, accountability or enhancing trust, as a substitute for true trust, as a discourse to enhance fairness, and as a mechanism for corporate governance. A critical analysis of the engagement strategies of the oil companies indicates that engagement has mostly been used as a mechanism of control and for extracting cooperation from the community to corporate objectives. The first engagement model (p.143), which was developed from the findings of the qualitative study, depicts a progression in the engagement strategies of the companies. The findings suggest that the first, second and third engagement strategies which are described as low-level engagement

strategies, were mainly employed in an attempt to control community stakeholders. Even though the companies now employ widely accepted engagement practices such as consultation and negotiation, there are indications that the first, second, and third strategies are still used. The second engagement model (p. 176) incorporated two more steps toward effective stakeholder engagement and management, that is, collaboration and partnership. Even though these two steps might improve company-community relations, companies, particularly Shell and AGIP, seem to think that their adoption can only be possible with the support of the government. The third engagement model in Figure 21 above provides another way of looking at how the companies use these engagement strategies. Thus, while the first and second models represent the engagement strategies as 'steps', depicting a progression from poor practices to more acceptable practices, the third model portrays the engagement strategies as a 'portfolio' from which the companies draw from based on stakeholder issues or the stakeholders they are dealing with.

6.5.   Discussion

Greenwood (2007) has observed that stakeholder engagement is underexplored in the literature; the findings and the stakeholder engagement models developed further highlight the significant role stakeholder engagement can play in managing relationships with stakeholders. In particular, the three engagement models developed provide interesting insights and perspectives on the notion of stakeholder engagement. The engagement strategies depicted as steps of stakeholder engagement (Figures 18 and 20) show a progression from hostile and unethical (lower-level engagement strategies) to more acceptable and legitimate practices (higher-level engagement strategies). These models, which are similar to that proposed by Friedman and Miles' (2006) were developed from the perspectives of the oil companies, the community stakeholders and the NGO participants. Friedman and Miles' (2006:160) model was, however, developed as a conceptual framework to "illustrate the degrees of the quality of stakeholder management from the perspectives of stakeholders." Friedman and Miles's (2006) ladder of stakeholder management and engagement comprises 12 levels of engagement (manipulation, therapy, informing, explaining, placation, consultation, negotiation, involvement, collaboration, partnership, delegated power, and stakeholder control)[15]. The lower levels consist of manipulation, therapy, and informing, and describe situations in which managers merely inform stakeholders about decisions already taken. The stakeholder management strategy of firms that operate on these levels is described as autocratic due to the lack of stakeholder participation. Manipulation in this study goes beyond merely keeping community people informed. The findings indicate that this strategy was used to pit stakeholder communities and community people against each other, causing them to focus on themselves, rather than on the issues they have with the companies. The evidence suggests that it

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[15]See Figure 9, section 2.4.3.3

was mostly used when the companies were deploying the community development framework, which was completely in their control. There was little or no community participation in the community development projects. In Friedman and Miles's (2006) framework, manipulation is the lowest form of engagement. In this study intimidation was identified as the lowest form of engagement. The findings suggest that this engagement strategy led to a breakdown in the relationship between the companies and the communities. Its failure to contain the protest and agitation of communities led companies to seek out powerful and influential community members in order to appease them so that they in turn could control their communities. From the point of view of Friedman and Miles' (2006) framework, the stakeholder engagement practices of the companies in the 1990s may be described as autocratic.

The middle levels of Friedman and Miles' (2006) framework involve some form of stakeholder participation (explaining, placation, consultation, and negotiation). At these levels stakeholders are able to voice their concerns prior to decision-making. However, there are no assurances that they will have an impact on organisational practice. Placation is usually a direct response to stakeholder unrest, which might require some form of appeasement in order to contain the situation (Friedman and Miles, 2006). This study found that the appeasement strategy was used to placate powerful and influential stakeholders in communities. The community assistance agendas of the companies were also shown to be a form of appeasement. This strategy, which is more or less a stopgap measure, served to damage the trust communities had for the oil companies.

Consultation in Friedman and Miles' (2006) ladder of engagement entails soliciting stakeholder opinions on issues predetermined by the firm, and firms may ignore the issues stakeholders are concerned about. Negotiation is described as a defensive response to stakeholder demands through multi-way dialogue such as bargaining following stakeholder threatening actions. At this level of engagement, stakeholders have some power to influence the decision-making process (Friedman and Miles, 2006). The findings in this study find some support in Friedman and Miles's (2006) work. For example, consultation and negotiation strategies were adopted following pressures from communities and the demands they were making of the companies. In particular, the adoption of these two strategies was mostly driven by community stakeholders' actions, which disrupted the operations of the companies. The community stakeholders not only demonstrated their power to affect the operations of the companies, but the exercise of this power to a large extent also changed how the oil companies perceived the communities and their relationship with them. Community stakeholders' influence strategies paved the way for consultation and negotiation.

The higher levels of Friedman and Miles' (2006) stakeholder management framework, namely involvement, collaboration, partnership, delegate power, and stakeholder control, represent active and responsive attempts at empowering stakeholders in corporate-decision making. Friedman and

Miles (2006) maintain that some level of trust between firms and stakeholders is required at these levels. At these levels, firms may collaborate with stakeholders for specific projects, much like the oil companies are doing with respect to their sustainable community development agendas which are deployed through various MoUs. Even though communities have some degree of power over the outcomes, ultimate control still lies with the oil companies who disburse the funds. Collaboration and partnership are somewhat similar, with the only difference being that the latter implies joint decision-making between the firm and the stakeholder; an example is joint venture (Friedman and Miles, 2006). Although the findings of this study show that companies collaborate with communities to some degree, the possibility of a partnership relationship is perceived as untenable due to the laws governing the industry. However, one of the community leaders asserted that if oil-producing communities upon which oil operations have a negative impact insist, the oil companies and government might reconsider and make them partners in the industry. According to the community leader, partnership is not something the companies or the government would willingly confer on the communities, as doing so might reduce profit; therefore, the communities have to demand it.

Prior (2007) observed that organisations usually partner with those stakeholders from whom they receive greater benefits, for example, customers, suppliers, or other third parties with unique access to strategic resources. In light of this, Prior (2007) pointed out that it is rare for an organisation to partner with community groups because they do not offer the kind of benefits that customers or suppliers offer. The strength of any strategic alliance between a firm and an external stakeholder is thus dependent on the strategic importance of the stakeholder (Harrison and St. John, 1996). Having a common goal also makes it easy for firms to adopt a bridging strategy in managing external stakeholders. Where there are no common goals between a firm and its external goals, buffering strategies are used to manage external stakeholders (Harrison and St. John, 1996), which is what the oil companies, particularly Shell and AGIP, are doing and why the notion of forming a partnership relationship with communities is considered untenable. In the oil industry, the joint venture partnership between the companies and the government makes strategic sense because the government and the oil companies share the common goal of profit maximisation.

Harrison and St. John (1996) assert that proactive partnering techniques not only increase organisational control in complex and unstable business environments, but also allow flexibility. Furthermore, Harrison and St. John (1996) argue that partnering with external stakeholders can reduce unfavourable litigation and negative publicity. The strategic importance of host communities, particularly in relation to their ability to disrupt the operations of the oil companies at will, is a good reason for companies to consider partnership. However, this does not appear to be a strong enough reason to pursue a partnership relationship. Studies suggest that strategic alliances reduce both uncertainties that arise from unpredictable stakeholder demands and

pressures from high levels of interdependence (strategic importance) among organisations (Burgers et al., 1993).

CHAPTER SEVEN

7. CONCLUSION

This study sought to document a holistic account of how specific oil companies operating in the Nigerian oil and gas industry have attempted to manage their relationships with stakeholder communities who are affected by their operations. A case study approach was employed to address the research problem, and a mixed methods research strategy was adopted in the data collection and analysis processes. The main findings are hereby recapitulated.

The findings revealed that the case study companies have deployed different stakeholder management frameworks in their attempt to manage their relationships with community stakeholders. These different strategies highlight the variability observed in stakeholder management (Shropshire and Hillman, 2006). The study identified three distinct strategies the companies have employed to manage their relationships with community stakeholders: philanthropic (altruistic), paternalistic (top-down), and collaborative (relational). The companies began with philanthropic approaches, which have now been largely replaced by paternalistic and collaborative approaches. The changes in the strategies have mostly been tailored responses to threats from community stakeholders.

It was found that the damaging strategies (Friedman and Miles, 2006) employed by community stakeholders have largely influenced their relationships with the companies and the strategies the companies have developed to maintain them. The attitudes of the companies towards community stakeholders and their issues have thus mostly been reactive (Post, 1978). Although in recent years the companies have moved towards a more interactive position in dealing with stakeholder communities, they still fall back on a reactive attitude towards community stakeholder issues. Of the three companies, Total seems to have a more effective system in place for managing its relationship with its stakeholder communities. Compared to Shell and AGIP, the company thus experiences minimal conflicts with local communities.

Although the study identified three main issues arising from the activities of the companies, namely environmental, economic and social issues, it was found that the companies mainly focused on ameliorating the socio-economic impacts on community stakeholders, with little attention given to the environmental problems that triggered the social and economic issues. Interestingly, the findings revealed that the focus on socio-economic issues was actually driven by the local communities. The implication of this is that even though the companies attempt to ameliorate the socio-economic problems as demanded by the local communities, they will continue to encounter problems in their relationships with communities as environmental problems from exploration and production persist (Freeman, 1984).

Furthermore, it was found that stakeholder engagement strategies employed by the companies depend on prevailing circumstances and issues and the stakeholder groups involved (Chinyio and Akintoye, 2008). Engagement with communities still has some paternalistic undertones. However, the strategies of consultation and negotiation with a broader segment of communities has moved the relationship between the companies and the communities more towards a collaborative phase (Svendsen, 1998). Currently, stakeholder community engagement is usually undertaken to negotiate the terms of MoUs and GMoUs agreements. A number of factors were identified as influencing the engagement practices of the companies. For example, changing expectations and behaviours of the community stakeholders are two important factors that necessitated changes in the approach the companies used. In the course of the focus groups and one-on-one discussion, the influence of powerful and influential community members, who exercise some kind of power or influence over the majority of community people, came to the fore. This confirms that the attributes stakeholders possess and the type of stakeholders in question can influence the behaviour of firms (Mitchell et al., 1997).

The findings indicate that the manner in which the companies initially related to or dealt with the issues and concerns of the local communities undermined the quality of the relationship between the companies and community stakeholders. Hostile and controlling engagement practices, such as intimidation, appeasement, and manipulation employed by the oil companies in the early days of community stakeholders' protests, and to some extent to the present day, continue to undermine the companies' efforts to manage these relationships. In light of the findings of this study, it is argued that stakeholder engagement is a critical factor in stakeholder relationship management. However, as the findings suggest, acceptable or ethical stakeholder engagement practices are not an indication that firms are acting in the interest of stakeholders, particularly those that are considered non-strategic, but rather in their own interest. Greenwood (2007: 325) made a similar point by stating "…organisations can engage its stakeholders in order to further corporate objectives rather than out of any sense of moral obligation."

To conclude, the findings in this study suggest that stakeholder engagement and management strategies of the companies are more or less driven by instrumental agendas rather than by normative values, that is, the achievement of organisational objectives is the motivation behind the community relations policies and frameworks the companies develop and deploy. From the findings reported herein, it is clear that managing relationship with non-contractual or nonmarket stakeholders like communities is a complex process, and evidently a steep learning curve for the case study companies. In line with the views of other scholars (Andriof et al., 2002, Bourne, 2009, Chinyio and Akintoye, 2008, Freeman, 1984, Friedman and Miles, 2006, Harrison and St. John, 1996, Noland and Phillips, 2010), this present research also highlights the importance of stakeholder engagement in managing relationship with stakeholders, particularly non-contractual

stakeholders. In the absence of institutional norms and shared values to undergird relationship with this category of stakeholders, trust is one factor that firms and managers can work to build and maintain with their non-contractual stakeholders (Hosmer, 1995, Jahansoozi, 2006, Morgan and Hunt, 1999, Svendson, 1998). This research thus contributes to the stakeholder theory first and foremost by describing what firms and their managers actually to do manage their relationships with communities, which have been described as nonmarket (Lawrence, 2010) or non-contractual stakeholders (Clarkson, 1995). Dunham, Freeman, and Leidka (2006) highlighted the lack of empirical research on how firms manage their relationships with communities, this research attempted to address this observed gap in knowledge. In line with the broad agenda of advancing the descriptive use of the stakeholder theory, the author emphasised exposition at the expense of critique of stakeholder management practices in the industry. This approach brings to the fore the practical implications of stakeholder management, which is important for the advancement of the field. Freeman (1984) himself pointed out that:

> "Good theories of management are practical, that is, they are relevant to practicing managers. Not only do they predict what may happen and allow managers to adjust to those predictions, but explain the existence of certain phenomenon and the relationships which these phenomenon bear to other phenomenon"(p. 48).

Furthermore, Harrison and Freeman (1999) pointed out that in order to advance theory building, there is need to "create rich and rigorous cases that could lead us to see the overall stakeholder relationship as a multi-faceted, multi-objective, complex phenomenon" (p.484). The findings reported in this thesis bring to the fore complex and multi-faceted nature of stakeholder relationships, particularly community stakeholder relations. As this research has shown and as observed by Lawrence (2010) managing relationship with nonmarket stakeholders is a challenging task, for which there are practically no laid down rules. The absence of set norms or rules of engagement for dealing with nonmarket stakeholders means that firms have to bring to bear on their decision-making normative values, which requires them to cause no harm to others in the pursuit of their business objectives (Berman et al., 1999, Freeman and Evan 2001).

7.1. Research Implications for Theory and Practice

This research has theoretical and practical implications. Although stakeholder theory has attracted strong academic debate, little attention has been paid to what practitioners actually do in their attempts to manage their relationships with stakeholders. The need to bridge the gap between theory and practice, particularly in relation to business management, has been emphasised in recent years. This research was undertaken with this need in mind, with empirical data collected from business practitioners and other real-world stakeholders to highlight the practical implications of a highly debated theoretical concept.

The terms 'relevance' and 'rigour' are dual criteria that have been proposed by various authors to achieve desirable outcomes when conducting management research (Berry, 1995; Tranfield and Starkey, 1998). Freeman (1984) argues that because good theories are practical, it is often said that such relevance is achieved at the expense of 'rigour'. Furthermore, Freeman points out that any theory or model that is not logically or conceptually rigorous will be impractical. While relevance is the practitioner's primary interest, rigour conveys a scholar's commitment to contributing to general theory (Aram and Silanpante, 2003).

Tranfield and Starkey (1998) contend that the essence of management research is to understand and explain (as far as possible) management practice, the distinguishing characteristic being its potential to engage with both the world of theory and the world of practice. Tushman et al.(2007) described theory as a walking stick that can enable managers or practitioners to work more effectively, pointing out that the interaction between theory and practice facilitates the development of better theories. In view of this, this study was driven by the dual objectives of advancing theoretical knowledge and management practice. The theoretical and practical contributions of this research are outlined in the sections below.

7.1.1.   Theoretical Contributions

The focus of this study was refined through a comprehensive review of the current stakeholder literature. Previous work on the stakeholder approach has mostly focused on the instrumental implications (Aupperle et al., 1985; Barton et al., 1989; Berman et al. 1999; Cochran and Wood; 1984; Cornell and Shapiro, 1987; Harrison and Fiet, 1999; Kotter and Heskett, 1992; Preston and Sapienza, 1990; Preston et al., 1991; Odgen and Watson, 1999; Orlitzky et al., 2003; O'Toole, 1991) while others have leaned towards normative justifications (Boatright, 1994; Bowie, 1999; Clarkson, 1995; Donaldson and Preston, 1995; Freeman and McVea, 2005; Goodpaster, 1991). This current study thus sought to develop its descriptive roots, which provides insight into what firms and their managers actually do to manage their relationships with stakeholders, to allow theory and practice to merge and build on each other. Thus, in terms of theoretical contributions, it provides an important empirical perspective on a concept that is mostly viewed from a theoretical vantage point. By moving the level of analysis from a conceptual to a more empirical one, this study sought to direct research attention to the actual practice of stakeholder management, bringing to the fore a rich contextual and situational understanding of this rapidly growing phenomenon.

In terms of theoretical contributions, it advances the theory of stakeholder management by exploring its practice in the real world. Specifically, the aim of the study was to explore how multinational oil companies operating in the Nigerian oil and gas industry manage their relationships with local communities in which they operate and which are affected by their oil

exploration and production activities. This study highlighted the need for firms to focus not only on those stakeholders they perceive can affect them, but also on the need for firms to pay particular attention to those stakeholders who are affected negatively by their actions and practices in order to avoid strategic surprises (Freeman, 1984) as well as challenges of repairing a damaged stakeholder relationship.

Furthermore, a review of the existing literature revealed that previous descriptive studies on company-stakeholder relationships focused mainly on the relationship between firms and their markets or economic stakeholders, for example, shareholders, customers, employees, and suppliers (Agle et al., 1999; 2006; Jawahar and McLaughlin, 2001; Magness, 2008). As these sets of relationships are framed by contractual agreements and monitored in some cases by institutional structures, firms usually had fewer problems managing these relationships (Lawrence, 2010). The findings of this study show that managing relationships with non-market stakeholders such as local communities or community stakeholders is a little more complex (Dunham et al., 2006). With no prior strategy in place for dealing with local communities, the oil companies studied made a number of false starts and generally had a reactive attitude towards issues arising from stakeholder communities. The lack of a coherent strategy for managing relationships with stakeholder communities led the oil companies to employ engagement practices that further aggravated their relationships with these communities. The findings brought to the fore the importance of stakeholder engagement; in particular, it showed that what firms do in the name of 'stakeholder engagement' can damage or build their relationships with stakeholders, particularly non-market stakeholders.

The findings also highlight the importance of trust in firm-stakeholder relationships, particularly in relation to non-market stakeholders. It is thus argued that trust is critical for non-contractual relationships or relationships with non-market stakeholders. Additionally, the findings of this study point to the need for those interested in the stakeholder approach to strategic management to explore the implications of this approach for firms with respect to non-market stakeholders. Firms and their managers would better heed the call for a stakeholder approach if more practicable frameworks for managing relationships with non-market stakeholders were developed. There is therefore a need for more attention to be paid to the descriptive strand of the stakeholder theory, which provides an opportunity to better understand what managers actually do in their bid to manage their relationship with stakeholders, the challenges of the processes involved, and other factors that might affect these relationships.

Furthermore, the findings also highlight the need for contextual and situational issues to be factored into the stakeholder management discourse so that the focus can shift from the pursuit of a homogenous or universally accepted conception of the stakeholder view to an appreciation of its

many and diverse interpretations and appropriation by business organisations, particularly multinational corporations, which find themselves in business environments that are very different from their home countries. Additionally, the findings suggest that instrumental agendas rather than normative values inform the strategies employed by the companies studied in attempting to manage their relationships with local community stakeholders who are affected by their activities. This focus on strategic interests also appears to inform the engagement strategies the companies' employ. And from the evidence gathered, some of the engagement strategies seem to have affected the quality of the relationship between the companies and the communities. This study thus highlights the vital role of stakeholder engagement in the management of stakeholder relationships.

Although the difference in the quantitative results and the qualitative findings regarding these variables might be interpreted as contradictory, this in fact is not the case, as one of the objectives of employing a mixed-method approach was to achieve complementarity. A more robust result was thus obtained by integrating the quantitative and qualitative findings. Furthermore, previous empirical research on stakeholder management has mainly employed qualitative methods (O'Toole, 1991; Kotter and Heskett, 1992) with a few studies applying quantitative methods (Berman et al., 1999; Harrison and Fiet, 1999; Orlitzky et al., 2003). This study employed a mixed methods strategy, which despite proving a little challenging as the researcher had to learn the use of quantitative methods from scratch, allowed the value of adopting a pragmatic worldview in management research to be demonstrated. While the qualitative data provided rich description of the stakeholder management practices of the oil companies, the quantitative data provided statistical measurements that can be tested further, thereby allowing for generalization of findings. As important as a qualitative research strategy is to empirical work on stakeholder management, a quantitative research provides the basis for extending the research findings beyond the research context. In order for stakeholder theory to hold and maintain its place in management discourse, it must embark on the mission of building a robust portfolio of empirical evidence that supports the claims of its proponents.

There does not appear to be a universally accepted epistemological or ontological posture for understanding the stakeholder view of the firm. What is observed is a division between interpretivism, which those who lean towards the normative strand use, and positivism, an approach those who seek to build a bridge between a stakeholder approach and corporate financial performance, adopt (Gioia, 1999). In order to bridge the seeming divide between the normative and instrumental perspectives on stakeholder theory, this current study adopted a pragmatic approach which provided the basis for the mixed methods research methods strategy employed. The objective to bridge the gap between the theory and practice of stakeholder management also informed the research design employed. There was thus a direct link between the gaps in

theoretical knowledge identified, the research question posed, the research methodology employed and the evidence gathered. Future researchers interested in the stakeholder approach might want to consider a mixed methods research strategy so to arrive at outcomes that transcend contexts.

7.1.2. Contribution to Practice

As pointed out earlier, practice-oriented management research seeks to improve managerial practices by producing knowledge which identifies why stated management problems arose, and developed, and indicates how they can be resolved (Whitley, 1984). Also since practitioners work with specific problems in specific situations, knowledge must be customised, connected to experiences, and directed to the structure and dynamic of particular situations. Thus, it is worth mentioning that the participants in the study, in particular the three case study companies, considered the research and the findings insightful, particularly the models developed. That said, the findings may also be useful to other oil companies in the Nigerian oil and gas industry that are confronted with similar stakeholder community issues as the case study companies in this current research. Thus, in terms of practical contributions, this current study contributes to stakeholder management practice by providing two important models developed from the empirical evidence gathered, which might facilitate stakeholder relationship management and stakeholder engagement practices of oil companies in the Nigerian oil and gas industry. For the stakeholder approach to become widely adopted, it is important that firms and their managers are provided with context-specific and practicable frameworks that will enable them manage their relationships with their stakeholders, particularly nonmarket stakeholders with whom they have no contractual relationships. In order to develop such frameworks, this current study sought to understand and describe how oil companies operating in the Nigerian oil and gas industry manage their relationships with local communities that are negatively affected by their operations. It identified the relationship management frameworks the companies employ, and highlighted different engagement strategies that have devolved from these frameworks.

As the findings of this study have shown, managing relationships with stakeholders involves managing their expectations, issues, and even their perceptions, and the stakeholder engagement strategies adopted are vitally important to the process. Previous studies (Ackerman, and Eden, 2003; Bourne, 2009; Chinyio and Akintoye, 2008; Friedman and Miles, 2006; Mitchell et al., 1997; Zadek and Raynard, 2002) discussed components of stakeholder management, such as stakeholder expectations, issues, perceptions, engagement, company-stakeholder relationships, and stakeholder management policies, in isolation. This study statistically tested the relationship between these components to determine the nature of their relationships with a view to providing a framework that firms and managers can use to manage their relationships with stakeholders. Based

on the quantitative results reported in Chapter Five, and the feedback received, the model shown below was developed, which can be tested empirically.

Stakeholder Relationship Management Model (Modified)
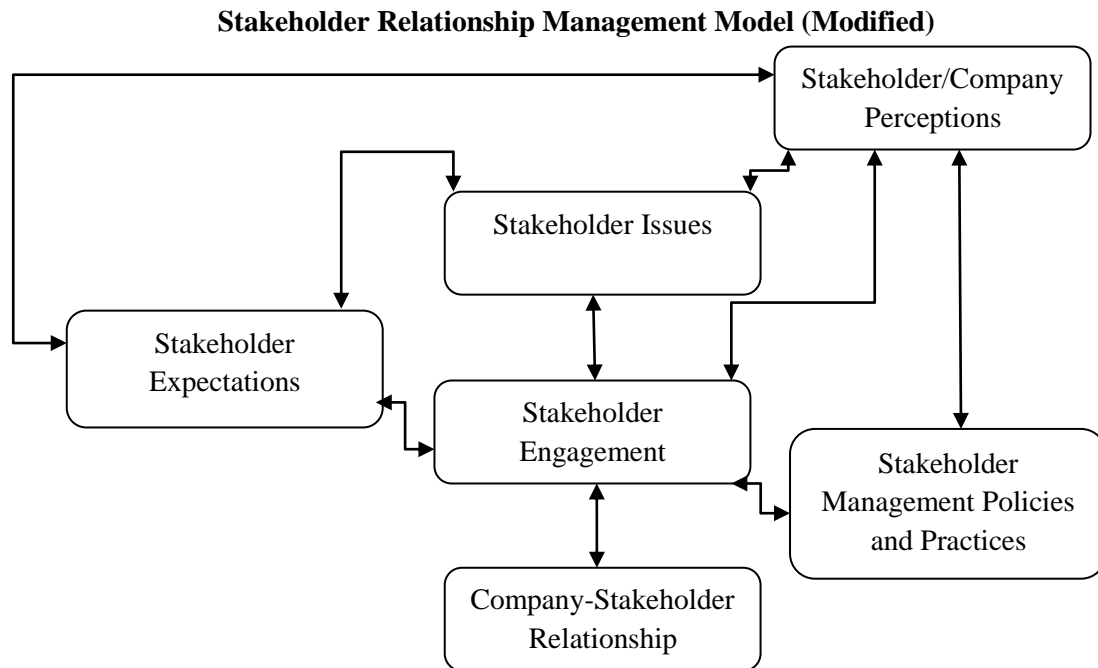
The model above, which was developed by integrating the quantitative results and the feedback received, provides a more detailed picture of the relationships between these components. Two outcomes are observed in the model above: first, whilst the results of the quantitative analysis did not reveal a statistically significant correlation between stakeholder/company perception and stakeholder engagement, and stakeholder/company perception and stakeholder issues, the feedback received on the results suggests that there is in fact a relationship between these variables. The relationship between stakeholder/company perception and stakeholder engagement as revealed during the focus group discussions finds support in Okafor's (2004) work. Okafor (2004), who examined the factors responsible for the antagonistic nature of the relationship between oil companies and communities, found that perception was a major factor that drove corporate-community engagement. Mitchell et al. (1997) noted that manager's perception play an important role in determining which stakeholder or group is considered salient and given priority attention. What this implies is that the stakeholder management policies and practices might be influenced by the perception of managers. The positive relationship between company perception and stakeholder management policies and practices shown in the Model above further highlights the important role of management perception on stakeholder management policies and practices. Furthermore, the changing stakeholder management policies and practices of the oil companies, in addition to being influenced by the dynamic behaviour of community stakeholders, appears to be informed also by changes in the perception of the companies. Similarly, changes in the perception

of community stakeholders also changed their expectations of the companies, and the issues they focused attention on. The findings of the qualitative study indicates that changes in the stakeholder management policies and practices of the companies also informed changes in the stakeholder engagement strategies, and this in turn influenced the quality of the relationship between the companies and their stakeholder communities.

Furthermore, the stakeholder relationship management model which showed a positive relationship between stakeholder engagement, stakeholder management policies and practices, stakeholder issues, stakeholder expectations, and company-stakeholder relationship, may enable practitioners to piece together and understand the relationship between the policies and practices they pursue in their bid to manage their relationship with stakeholders with the engagement strategies they employ, and how these strategies in turn reflects on the relationship. The model may be viewed as a framework consisting of different but important components of stakeholder management, which may enable practitioners to gain a better understanding of these relationships and to make the necessary adjustments and changes in their stakeholder management policies and practices. The stakeholder engagement portfolio reproduced in the figure below complements the model in the figure above in the sense that the adoption of each of these engagement strategies potentially changed the relationship between the companies and the communities.

Portfolio of Stakeholder Engagement Strategies (Modified)
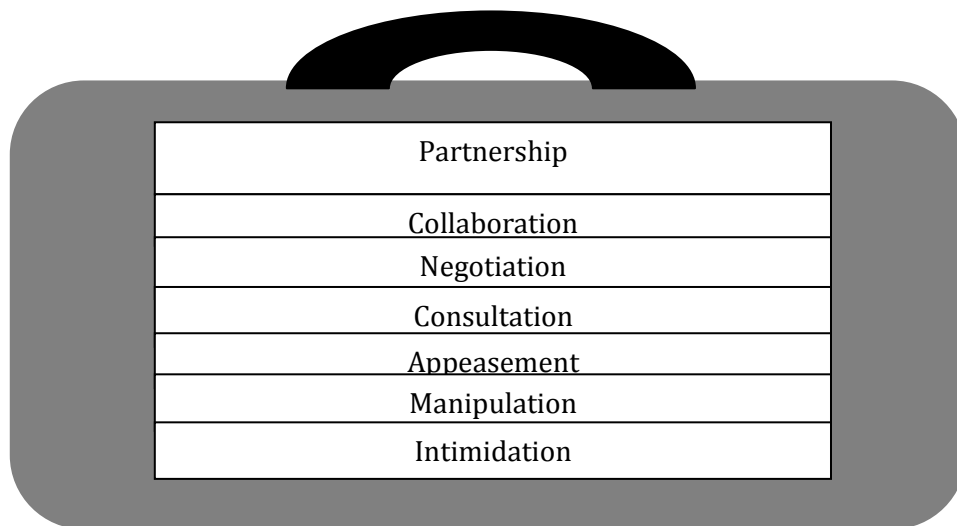
The findings in this study revealed that there is a positive correlation between stakeholder engagement and company-stakeholder relationship, and as the qualitative study indicated, hostile and controlling engagement strategies such as intimidation, manipulation, and appeasement negatively affected the quality of the relationship between the companies and the companies. Similarly, a change in the quality of the relationship between the companies and the communities was observed when consultation and negotiation engagement strategies were adopted. In view of

this, firms and managers may be able to judge the quality of their stakeholder relationship by evaluating their engagement strategies and the subsequent outcomes, as each strategy potentially affects the direction of the relationship as demonstrated in this study. A firm or manager that is keen on developing or maintaining its relationship with stakeholders, particularly non-market stakeholders, can evaluate its stakeholder engagement strategies in light of the steps of stakeholder engagement (see figure 20) to identity the step(s) they are operating from or the portfolio of stakeholder engagement strategies model above. Furthermore, most of the participants believe that the use of engagement strategies such as manipulation and appeasement, in dealing with communities destroyed trust between the companies and the communities, while intimidation strategies triggered retaliatory actions from community stakeholders (Axelrod, 1984). Even though more relational and acceptable engagement strategies are currently employed by the oil companies, the evidence indicates that damage caused by the previous strategies seem to cast a shadow over the relationship between the oil companies and the communities.

Thus, based on the evidence gathered in this study, it can be argued that how firms or managers engage with nonmarket stakeholders can affect the quality of their relationships with them. Thus, for managers in similar business context, if any of the identified engagement strategies is observed to affect the relationship between the company and a stakeholder group in a negative way or the engagement strategies fail to appropriately address the issues faced by stakeholders, such strategies should be deemed ineffective and discontinued. If such an engagement strategy derives from a company policy or practice, this may need to be re-evaluated. By combining the 'stakeholder relationship management' model and the 'portfolio of stakeholder engagement strategies' model, managers might be able to identify ineffective engagement strategies and stakeholder management policies and practices and make the necessary changes. In light of the possible negative impacts of intimidation, manipulation, and appeasement engagement strategies, firms and managers may wish to consider more relational engagement strategies such as consultation, negotiation, collaboration, and partnership in dealing with nonmarket stakeholders, particularly in complex and highly unstable business environments (Harrison and St. John, 1996). The adoption of these relational engagement strategies might foster trusting relationships, particularly in situations where there are no laid down rules of engagement, such as contracts (Lawrence, 2010).

In addition, the dynamic nature of stakeholders requires firms and managers to develop flexible policies to reflect the changes in their stakeholder environment. As shown in this study, the changes in the stakeholder management policies and practices of the oil companies reflect changes in the behaviour of the community stakeholders, however, because the companies did not originally have an established plan for managing their relationships with communities that are affected by their practices, the strategies they later devised were mostly from a reactive place. In

view of this, the attention of practitioners is called to the need to adopt a proactive position towards nonmarket stakeholders, particularly those who are affected by the achievement of organisational objectives so as to avoid strategic surprises (Freeman, 1984), and to employ engagement strategies that build trusting relationships.

7.2.   Limitations and Recommendations for Future Research

The aim of the study was to provide further understanding of the notion of stakeholder management from the perspective of practitioners, and other stakeholders. The assumption in this study was that the concept of stakeholder management is still evolving and is influenced by contextual and situational factors. Hence, the findings documented in this thesis might not readily fit in with views held about it in other contexts or industries (Freeman, 1984). The context-specific nature of the study, in addition to the small sample size in both studies, thus limits the generalisability of the research findings to other contexts or industries. Furthermore, the goal of this study was mostly to achieve analytical rather than statistical generalisation. Another important objective was to provide results that may be useful to the specific industry from which knowledge was developed. As pointed out by Tranfield and Starkey (1998), in management research where knowledge is developed in a specific context, what is important is the utility of the findings to that specific context. During the dissemination process, participants from the case study companies expressed interest in the findings, particularly the models developed. That said, the findings in this current research might also be useful to oil and gas industries in other developing countries with political, and socio- economic environments that are similar to that of the Nigerian oil and gas industry. This is because the findings in this study indicate that the political, social and economic environments in which the case study companies are embedded seem to influence the behaviour of the companies. Thus, it is possible that other subsidiaries like the case study companies may behave differently in other developing countries with strong democratic and legal structures. Future researchers interested in stakeholder management practices in oil and gas industries may thus build on this current study by undertaking comparative studies involving other subsidiaries operating in developing countries, as well as developed countries.

Furthermore, this research brings to the fore the subjective nature of the concept of stakeholder management, which might make it challenging to generalise findings from one industry or context to other industries or contexts. Stakeholders are firm and industry specific; as such a one-size-fit-all framework for managing stakeholder relations might be feasible. A number of factors determine the groups and individuals that make up the stakeholder environments of firms and industries. For example, the extent of the impact of a firm's activities on groups and individuals (Freeman, 1984) and the attitude of such groups and individuals towards a firm (Frooman, 1999, Savage et al., 1991) are important factors. Thus an oil company operating in the same socio-

political and economic environment with a bank may adopt markedly different strategies for managing its relationship with stakeholders in the community in which it does business. Nevertheless, the models developed in this research might be useful in enabling firms in industries other than the oil industry in the development and implementation of stakeholder management policies. To further strengthen the stakeholder relationship management models developed in this current study, future researchers may attempt to replicate the quantitative aspect of the study with other multinational oil companies in the Nigerian oil industry. A larger survey sample might produce very interesting relationships between the stakeholder management components, which were not feasible in this study because of the small survey sample used.

Another limitation of this research results from the fact that the researcher did not include the state-owned oil company, the Nigerian National Petroleum Corporation (NNPC), which represents the interests of the government in the industry and is the majority shareholder in the joint venture arrangement with the case study companies. Whilst contribution from the NNPC might have been insightful in this research, it was not included, as it is not directly involved in oil exploration activities. As the operators of the joint venture, the multinational oil companies, owing to their technical expertise, are responsible for oil exploration and production activities. They are also directly responsible for their relationships with the local communities, and how the companies managed these relationships was the main interest of this research. In view of this, it was deemed appropriate to focus on the oil companies, with contributions from non-governmental organisations and community stakeholders, which provided a balanced analysis. However, future research could investigate the influence of the government/NNPC on the relationship between the oil companies and the communities. As demonstrated in this study, government neglect of statutory responsibilities to communities has put enormous pressure on the oil companies, a development that has only served to further weaken the government's ability to maintain stability in the oil-producing region.

Another limitation of this study is the small number of participants selected from the host communities. However, the incorporation of NGOs, which performed an intermediary role between the oil companies and the communities helped to further balance the evidence collected, and provided useful insights on the complexities of the relationship between the oil companies and the communities. Since the main focus was on how the oil companies managed their relationships with communities, it was deemed necessary to focus more attention on the oil companies. Furthermore, the use of the case study approach did not necessitate employing a large sample for the qualitative study. Moreover, gathering an in-depth and richer description of events was of more interest for this research. The participants – leaders from the host communities - proved to be very resourceful in this regard. Future research could, however, involve more participants from local communities to gain a broader and more diverse views on the issues investigated.

Finally, future research could focus on the relationship between oil companies and NGOs in the oil industry. Future research involving NGOs should seek to identify those that have worked with or are working with the oil companies so as to get a better understanding of the strategies employed by the companies. NGOs appear to have played an important role in creating awareness amongst community stakeholders through capacity building programmes, thereby empowering them to better negotiate with the oil companies. The findings suggest that widespread illiteracy in the oil-producing region affects the relationship between community people relate and the oil companies. Subsequent changes in the attitude of community stakeholders seemed to have been informed by the exposure and awareness amongst a few community people.

APPENDICES

Appendix 1:Item Reliability Test

Table 9

		Stakeholder/Company Perception
Stakeholder/Company Perception	Pearson Correlation Sig. (2-tailed) N	1 40
Q10 –Stakeholders perceptions of the company's responsibility towards them influences the relationship	Pearson Correlation Sig. (2-tailed) N	.524** .001 40
Q19 – The importance stakeholders place on issues of concern can influence the company's response to such stakeholders	Pearson Correlation Sig. (2-tailed) N	.632** .000 40
Q 24 – The stakeholder management policies and practices of the company are influenced by the company's perception of the issues that are important to stakeholders	Pearson Correlation Sig. (2-tailed) N	.733** .000 40

Table 10

		Company-Stakeholder Relationship
Company-Stakeholder Relationship	Pearson Correlation Sig. (2-tailed) N	1 40
Q11 – Trust between the company and its stakeholders is an important factor in the relationship	Pearson Correlation Sig. (2-tailed) N	.574** .000 40
Q12 – A mutually beneficial relationship between the company and its different stakeholder is important	Pearson Correlation Sig. (2-tailed) N	.704** .000 40
Q22 – Transparency and accountability are important components of stakeholder management	Pearson Correlation Sig. (2-tailed) N	.703** .000 40
Q23 – The Company has an interdependent relationship with all its stakeholders	Pearson Correlation Sig. (2-tailed) N	.627** .000 40

Table 11

		Stakeholder Expectations
Stakeholder Expectations	Pearson Correlation Sig. (2-tailed) N	1 41
Q4 – Failure to meet stakeholder's expectations in the past has affected the present relationship	Pearson Correlation Sig. (2-tailed) N	.703** .000 41
Q7 – Stakeholders expectations influence the company's stakeholder management policies and practices	Pearson Correlation Sig. (2-tailed) N	.610** .000 41
Q21 – Meeting the expectations of stakeholders enhances the company's relationship with them	Pearson Correlation Sig. (2-tailed) N	.593** .000 41

Table 12

		Stakeholder Engagement
Stakeholder Engagement	Pearson Correlation Sig. (2-tailed) N	1 40
Q5 – Engaging with stakeholders enhances the company's relationship with them	Pearson Correlation Sig. (2-tailed) N	.776** .000 40
Q18 – There is a strong link between issues management and stakeholder engagement policies and practices in the company	Pearson Correlation Sig. (2-tailed) N	.523** .001 40
Q20 – Stakeholder engagement enhances the company's ability to conduct business in its operational sites	Pearson Correlation Sig. (2-tailed) N	.727** .000 40

Table 13

		Stakeholder Issues
Stakeholder Issues	Pearson Correlation Sig. (2-tailed) N	1 40
Q8 – The decision about which stakeholder's demand to address is influenced by the issues surrounding the demand	Pearson Correlation Sig. (2-tailed) N	.564** .000 40
Q13 – Stakeholder issues that are not properly managed are likely to become crisis situations	Pearson Correlation Sig. (2-tailed) N	.722** .000 40
Q16 – Stakeholder issues that become crisis situations are likely to damage the company's relationship with its stakeholder	Pearson Correlation Sig. (2-tailed) N	.650** .000 40

Table 14

		Stakeholder Management Policies and Practices
Stakeholder Management Policies and Practices	Pearson Correlation Sig. (2-tailed) N	1 38
Q2 – The stakeholder management policies and practices of the company achieves the desired objectives	Pearson Correlation Sig. (2-tailed) N	.658** .000 38
Q15 – The stakeholder management policies and practices of the company are flexible	Pearson Correlation Sig. (2-tailed) N	.659** .000 38
Q17 – Achieving stakeholder management objectives is most challenging at the policy development phase	Pearson Correlation Sig. (2-tailed) N	.546** .000 38

Table 15

		Stakeholder Salience
Stakeholder Salience	Pearson Correlation Sig. (2-tailed) N	1 36
Q3 – Stakeholders considered legitimate can be ignored on an issue if the company does not have the capabilities to address the issues	Pearson Correlation Sig. (2-tailed) N	.518** .001 36
Q6 – Stakeholders who are negatively impacted by the company's operations are given top priority	Pearson Correlation Sig. (2-tailed) N	.675** .000 36
Q9 – An individual or group must have legitimate stake to be considered a stakeholder of the company	Pearson Correlation Sig. (2-tailed) N	.361* .031 36
Q14 – A stakeholder is considered very important if such a stakeholder(s) is perceived to have the power to influence the company; is legitimate and their demands are urgent	Pearson Correlation Sig. (2-tailed) N	.596** .000 36

Appendix 2:Most important stakeholders

Table 16

Shell (19 Respondents) Identified Stakeholders	Total (12 Respondents) Identified Stakeholders	AGIP (10 Respondents) Identified Stakeholders
1. Host communities x 19 2. Government x18 3. CSOs (NGOs) x 12 4. Joint Venture partners x 5 5. Media x 4 6. Regulatory Agencies x 4 7. Employees x 4 8. Development Agencies x 3 9. Competitors x 3 10. Contractors x 3 11. Host community youths x 2 12. General Public x 2 13. Shareholders x 2 14. Traditional rulers x 1 15. Opinion leaders x 1 16. Transit communities x 1 17. Impacted communities x1 18. Academia x 1 19. Landowners x 1	1. Host communities x 12 2. Impacted communities x 6 3. Government x 5 4. Transit communities x 4 5. Contractors x 4 6. Joint Venture Partners x 4 7. Suppliers x3 8. Regulatory Agencies x3 9. CSOs (NGOs) x 2 10. Host community youths x 2 11. Landowners x 2 12. Competitors x 1 13. General Public x 1 14. Shareholders x 1 15. Employees x 1 16. Armed forces x 1 17. Development Agencies x 1 18. Customers x 1	1. Host communities x 8 2. Government x 7 3. Joint Venture Partners x 6 4. Landowners x 3 5. Transit communities x 3 6. CSOs (NGOs) x 3 7. Employees x 2 8. Shareholders x2 9. Regulatory agencies x2 10. Armed forces: Police x 1 11. Competitors x 1 12. General Public x1 13. Host community youths x 1 14. Customers x 1 15. Women x1

Appendix 3: Kruskal-Wallis Test and Mann-Whitney Test Results

Table 17

Kruskal Wallis Test

	Stakeholder/ Company Perception	Company-Stakeholder Relationship	Stakeholder Expectations	Stakeholder Engagement	Stakeholder Issues	Stakeholder Management Policies and Practices	Stakeholder Salience
Chi-Square	.107	4.576	1.294	8.134	.417	5.024	6.833
df	2	2	2	2	2	2	2
Asymp. Sig.	.948	.101	.524	**.017**	.812	.081	**.033**

Table 18

Mann Whitney Post Hoc Test: Shell and Total

	Stakeholder/Company Perception	Company-Stakeholder Relationship	Stakeholder Expectations	Stakeholder Engagement	Stakeholder Issues	Stakeholder Management Policies and Practices	**Stakeholder Salience**
Mann-Whitney U	101.000	83.500	111.500	85.500	94.000	71.500	35.500
Wilcoxon W	179.000	254.500	189.500	163.500	265.000	224.500	171.500
Z	-.323	-1.153	-.110	-1.032	-.619	-1.428	-2.389
Asymp. Sig. (2-tailed)	.747	.249	.913	.302	.536	.153	**.017**
Exact Sig. 2*(2.tailed)	.787	.305	.921	.346	.573	.180	.017

Table 19

Mann Whitney Post Hoc Test: Shell and AGIP

	Stakeholder/Company Perception	Company-Stakeholder Relationship	Stakeholder Expectations	**Stakeholder Engagement**	Stakeholder Issues	Stakeholder Management Policies and Practices	Stakeholder Salience
Mann-Whitney U	86.500	65.000	73.500	36.500	85.500	55.500	44.500
Wilcoxon W	141.500	120.000	128.500	91.500	256.500	100.500	180.500
Z	-.180	-1.251	-1.026	-2.698	-.224	-1.206	-1.902
Asymp. Sig. (2-tailed)	.857	.211	.305	**.007**	.823	.228	.057
Exact Sig. 2*(2.tailed)	.869	.245	.330	.009	.832	.263	.060

Table 20

Mann Whitney Post Hoc Test: Total and AGIP

	Stakeholder/Company Perception	Company-Stakeholder Relationship	Stakeholder Expectations	Stakeholder Engagement	Stakeholder Issues	Stakeholder Management Policies and Practices	Stakeholder Salience
Mann-Whitney U	59.000	30.000	46.000	32.000	54.000	26.000	47.000
Wilcoxon W	137.000	85.000	101.000	87.000	109.000	71.000	102.000
Z	-.077	-2.104	-.963	-.1945	-.420	-2.079	-.236
Asymp. Sig. (2-tailed)	.939	**.035**	.335	.052	.675	**.038**	.816
Exact Sig. 2*(2.tailed)	.974	.050	.381	.069	.722	.049	.853

Table 21

Variables	Stakeholder/ Company Perception	Company-Stakeholder Relationship	Stakeholder Expectations	Stakeholder Engagement	Stakeholder Issues	Stakeholder Management Policies and Practices	Stakeholder Salience
Stakeholder/ Company Perception	**1** . 40						
Company-Stakeholder Relationship	.275 .086 40	**1** . 40					
Stakeholder Expectations	.338* **.033** 40	.289 .071 40	**1** . 41				
Stakeholder Engagement	.300 .064 39	.451** **.004** 39	.445** **.004** 40	**1** . 37			
Stakeholder Issues	.078 .638 39	.292 .072 39	.330* **.038** 40	.364* **.023** 39	**1** . 37		
Stakeholder Management Policies and Practices	.406* **.013** 37	.268 .108 37	.253 .124 38	.347* **.035** 37	.199 .238 37	**1** . 40	
Stakeholder Salience	-.119 .497 35	.084 .632 35	-.023 .892 36	.066 .708 35	.125 .475 35	.044 .804 34	**1** . 4

Appendix 5:Frequency Test

Figure 22

25a. Anticipate and actively address stakeholder issues

Figure 23

25c. Accept responsibility and address stakeholder issues when they arise

Figure 24

25d. Meet the minimum legal requirements in
addressing stakeholder issue
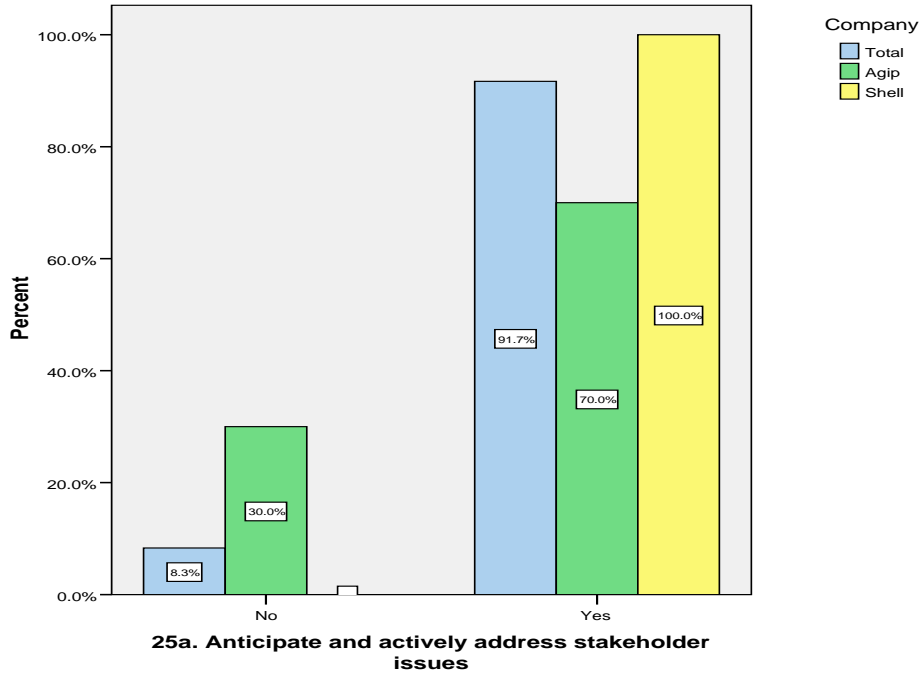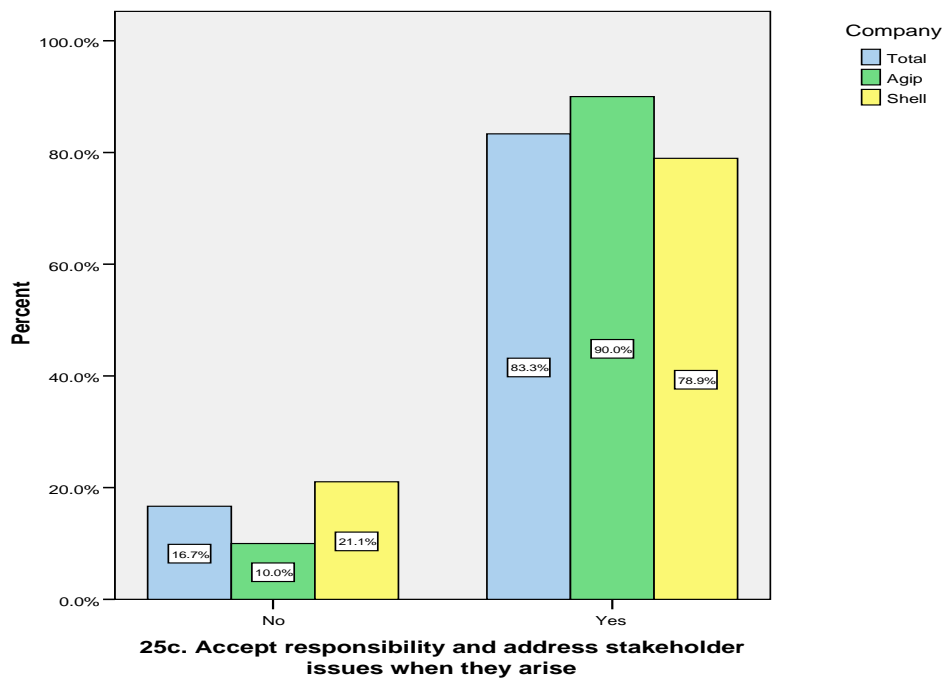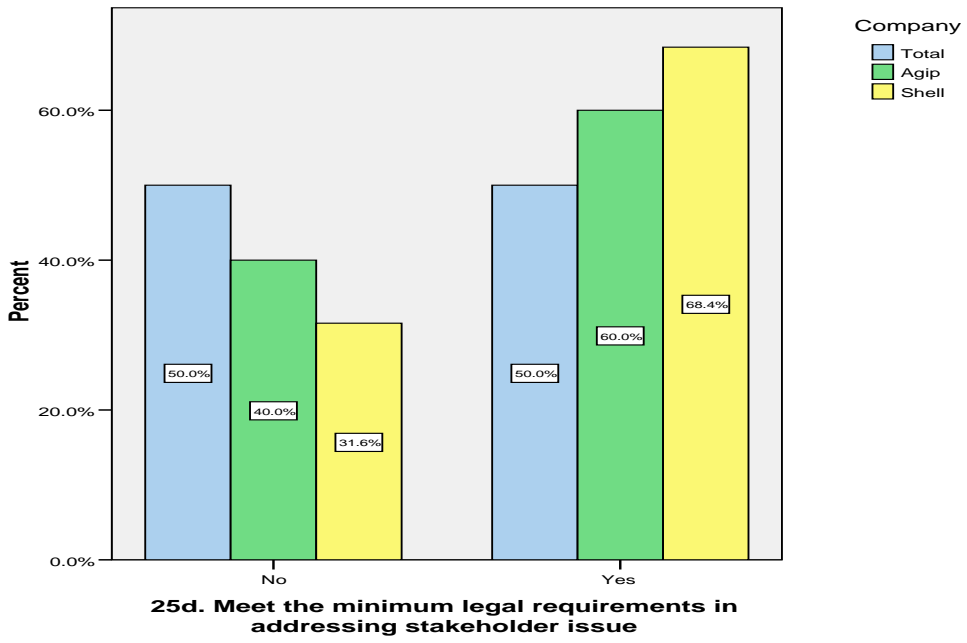
Appendix 6:Cover Letter for Research Questionnaire

I am a DBA (Doctorate in Business Administration) research candidate at Durham Business School, Durham University, United Kingdom. The DBA is a professional doctorate degree, designed to address contemporary business problems with the aim of providing relevant and practicable recommendations for business organizations. I am researching on stakeholder management practices, and drawing cases from the Nigerian Oil and Gas Industry. The Nigeria oil and gas industry provides an interesting and unique platform for exploring the challenges of stakeholder management. One of the aims of this study is to explore the practical implications of stakeholder management in complex business environments.

The attached questionnaire is one of my primary data collection tools for this study. It is designed to gather empirical data on stakeholder management from the perspectives of practitioners. Please kindly answer all questions with honest responses that reflect your true opinion as much as possible. Completion of the questionnaire should take about 20 minutes. Completed questionnaires would be collected within 5 days of administration. Your kind cooperation would be most appreciated. If you require further information about this study please contact me on ekpobomene.waritimi@durham.ac.uk / ekpobomene@yahoo.com /mobile: 07039405222.

Thank you for your kind cooperation!

Ekpobomene Waritimi (Ms)

Appendix 7:Questionnaire for Oil Companies

Section 1

Please state your:

Department: ....

Position in Company...

Responsibilities: ....

Section 2

1. Please list five stakeholders you think are most important to your company

    1. --
    2. --
    3. --
    4. --
    5. --

In the following questions, you are being asked to indicate your level of agreement or disagreement with each statement by indicating whether you: Strongly Agree (SA), Agree (A), Disagree (D) and Strongly Disagree (SD). Please circle one.

2. The stakeholder management policies and practices of the company achieves the desired objectives

    SA   A   D   SD

3. Stakeholders considered legitimate can be ignored on an issue if the company does not have the capabilities to address the issue

    SA   A   D   SD

4. Failure to meet stakeholders' expectations in the past has affected present relationships

    SA   A   D   SD

5. Engaging with stakeholders enhances the company's relationship with them

    SA   A   D   SD

6. Stakeholders who are negatively impacted by the company's operations are given top priority

    SA   A   D   SD

7. Stakeholders expectations influence the company's stakeholder management policies and practices

    SA   A   D   SD

8. The decision about which stakeholder's demand to address is influenced by the issues surrounding the demand

    SA   A   D   SD

9. An individual or group must have legitimate stake to be considered a stakeholder of the company

    SA   A   D   SD

10. Stakeholders perceptions of the company's responsibilities towards them influences the relationship

        SA   A   D   SD

11. Trust between the company and its stakeholders is an important factor in the relationship

        SA   A   D   SD

12. A mutually beneficial relationship between the company and its different stakeholders is important

        SA   A   D   SD

13. Stakeholder issues that are not properly managed are likely to become crisis situations

        SA   A   D   SD

14. A stakeholder is considered very important if such a stakeholder(s) is perceived to have the power to influence the company; is legitimate and their demands are urgent

        SA   A   D   SD

15. The stakeholder management policies and practices of the company are flexible

        SA   A   D   SD

16. Stakeholder issues that become crisis situations are likely to damage the company's relationships with its stakeholders

        SA   A   D   SD

17. Achieving stakeholder management objectives is most challenging at the policy development phase

        SA   A   D   SD

18. There is a strong link between issues management and stakeholder engagement policies and practices in the company

        SA   A   D   SD

19. The importance stakeholder place on issues of concern can influence the company's response to such stakeholders

        SA   A   D   SD

20. Stakeholder engagement enhances the company's ability to conduct business in its operational sites

        SA   A   D   SD

21. Meeting the expectations of stakeholders enhances the company's relationships with them

        SA   A   D   SD

22. Transparency and accountability are important components of stakeholder management

        SA   A   D   SD

23. The company has an interdependent relationship with all its stakeholders

        SA   A   D   SD

24. The stakeholder management policies and practices of the company are influenced by the company's perception of the issues that are important to stakeholders

        SA   A   D   SD

25. The company deals with stakeholder issues in the following ways: (*Circle all the options that apply*)

a) Anticipate and actively address stakeholder issues

b) Ignores stakeholder issues or fight against addressing the stakeholders

c) Accept responsibility and address stakeholder issues when they arise

d) Meet the minimum legal requirements in addressing stakeholder issues

Appendix 8:Interview Consent Form

Research Title: Stakeholder Management in Practice: Evidence from the Nigerian Oil and Gas Industry

Researcher: Ekpobomene Waritimi, DBA Candidate, Durham Business School, Durham University, UK

Y / N

I confirm that I have read and understood the information sheet for the above
study and have had the opportunity to ask questions. ☐ ☐

I understand that my participation is voluntary and that I am free to withdraw
at any time without giving reasons. ☐ ☐

I am aware that whilst every effort will be made to maintain confidentiality of the
information I provide, this can only be offered within the limitations of the law. ☐ ☐

I agree to take part in this study.

Name of Participant: Date: ....   Signature: ....

Ekpobomene Waritimi (Researcher)   Date: ....   Signature: ....

Appendix 9:Semi-structured Interview Guide: Oil Companies

1. How would you describe the relationship between the company and its host communities?

2. What are the challenges the company is experiencing in managing its relationship with diverse host community stakeholders?

3. What strategies does the company use to manage its relationship with stakeholder communities and how does the company determine the effectiveness of these strategies?

4. What drives community stakeholder engagement in the company?

5. How does the company engage with host community stakeholders?

6. What criteria does your company use in determining which stakeholder communities to give priority attention to?

7. In what ways have stakeholder communities tried to influence the way the company relates with them, and how effective have these strategies been?

Appendix 10:Semi-structured Interview Guide: Community Leaders

1. How would you describe the relationship between community and the operating oil company in this community?

2. What can/should the oil company do differently to achieve a more positive and mutually beneficial relationship with your community?

3. What do you think about the company's MoU/GMoU arrangement with your community?

4. What are the issues that affect your community's relationship with the operating company?

5. What do community people do to try to get the attention of the company and to have their demands met?

6. In what ways has the company's response or behavior towards community demands and needs changed in the last few years?

7. In your opinion, in what ways have the recent militancy activities influenced the way the company relates with this community?

Appendix 11:Semi-structured Interview Guide: NGOs

1. How would you describe the relationship between oil companies (e.g. Shell, Total, or AGIP) and their stakeholder communities?

2. What in your opinion should oil companies do differently to achieve a more positive and mutually beneficial relationship with stakeholder communities?

3. In what ways do you think stakeholder communities' perception and expectations of oil companies affect the relationship?

4. How would you describe the current stakeholder engagement practices of the oil companies (Shell, Total, or AGIP)?

5. Have there been any significant changes in the way oil companies relate and engage with community stakeholders in the last few years?

6. What do you think about the GMoU/MoUs Shell and other oil companies have with stakeholder communities?

7. How has militancy influenced the relationship between oil companies and stakeholder communities?

Appendix 12: Copy of Letter to the Department of Petroleum Resources

April 12, 2010

Department of Petroleum Resources

49, Moscow Road

 Port Harcourt, River State

Nigeria

TO WHOM IT MAY CONCERN

The bearer, Miss Ekpobomene Waritimi, is a full-time postgraduate research student at Durham University, UK. She is studying for a Doctorate in Business Administration (DBA) degree in Corporate Social Responsibility (CSR) and is my supervisee.

Miss Waritimi is researching on 'Stakeholder Management in Practice: Evidence from the Nigerian Oil Industry', and would need your organisation's assistance in gathering the necessary data for her study. She would be collecting primary data via questionnaires and interviews. Whatever information your organization provides her would be treated with utmost confidentiality.

Your kind cooperation would be most appreciated.

Sincerely,

Prof. Geoff Moore

Professor of Business Ethics

Durham Business School

Appendix 13: Copies of Letters to Case Organisations

April 12, 2010

The Shell Petroleum Development

Company of Nigeria Ltd.

Shell Industrial Area

Rumuobiakani

Port Harcourt, Rivers State

Nigeria

TO WHOM IT MAY CONCERN

The bearer, Miss Ekpobomene Waritimi, is a full-time postgraduate research student at Durham University, UK. She is studying for a Doctorate in Business Administration (DBA) degree in Corporate Social Responsibility (CSR) and is my supervisee.

Miss Waritimi is researching on 'Stakeholder Management in Practice: Evidence from the Nigerian Oil and Gas Industry', and would need your organisation's assistance in gathering the necessary data for her study. She would be collecting primary data via questionnaires and interviews. Whatever information your organization provides her would be treated with utmost confidentiality.

Your kind cooperation would be most appreciated.

Sincerely,

Prof. Geoff Moore

Professor of Business Ethics

Durham Business School

April 12, 2010

Total E&P Nigeria Limited (TEPNG)
25 Trans Amadi Industrial Layout
Port Harcourt, Rivers State
Nigeria

TO WHOM IT MAY CONCERN

The bearer, Miss Ekpobomene Waritimi, is a full-time postgraduate research student at Durham University, UK. She is studying for a Doctorate in Business Administration (DBA) degree in Corporate Social Responsibility (CSR) and is my supervisee.

Miss Waritimi is researching on 'Stakeholder Management in Practice: Evidence from the Nigerian Oil and Gas Industry', and would need your organisation's assistance in gathering the necessary data for her study. She would be collecting primary data via questionnaires and interviews. Whatever information your organization provides her would be treated with utmost confidentiality.

Your kind cooperation would be most appreciated.

Sincerely,

Prof. Geoff Moore
Professor of Business Ethics
Durham Business School

April 12, 2010

Nigerian AGIP Oil Company Ltd

Mile 4, Ikwerre Road

Port Harcourt,

River State

Nigeria

TO WHOM IT MAY CONCERN

The bearer, Miss Ekpobomene Waritimi, is a full-time postgraduate research student at Durham University, UK. She is studying for a Doctorate in Business Administration (DBA) degree in Corporate Social Responsibility (CSR) and is my supervisee.

Miss Waritimi is researching on 'Stakeholder Management in Practice: Evidence from the Nigerian Oil and Gas Industry', and would need your organisation's assistance in gathering the necessary data for her study. She would be collecting primary data via questionnaires and interviews. Whatever information your organization provides her would be treated with utmost confidentiality.

Your kind cooperation would be most appreciated.

Sincerely,

Prof. Geoff Moore

Professor of Business Ethics

Durham Business School

Appendix 14:Researcher's Application to the Department of Petroleum Resource

May 16, 2010

Operations Controller

Department of Petroleum Resources

49 Moscow Road

Port Harcourt

Dear Sir,

Request for Permission to Access Oil Companies for Research Purposes

I am a final year DBA (Doctorate in Business Administration) research student of Durham Business School, Durham University, UK. The DBA is a professional doctorate degree that is tailored to address contemporary business problems with the aim of providing relevant and practicable recommendations to business organizations.

I wish to request for permission to access selected oil companies in the oil and gas industry for the purpose of data collection. My research project is titled: "Stakeholder Management in Practice: Evidence from the Nigeria Oil and Gas Industry". I chose the Nigerian Oil and Gas Industry as the context in which to study stakeholder relationship management process, because of its unique relationships with diverse stakeholder groups.

In particular, I have chosen to study this process drawing cases from specific multinational oil companies in the industry. I wish to collect primary data via questionnaires and interviews from the following companies in the industry:

1. Shell Petroleum Development Company
2. Total Exploration and Production Nigeria Ltd
3. Nigerian AGIP Oil Company
4. Statoil (Nigeria) Ltd
5. Chevron Nigeria Ltd

Data collected from the above companies would be treated with utmost confidentiality.

Thank you for your kind consideration.

Yours faithfully,

Ekpobomene Waritimi (Miss)

Mob: 07039405222

Email: ekpobomene.waritimi@durham.ac.uk

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