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RESEARCH ARTICLE

Associations among Multiple Corporate Social Responsibility Factors and Revenue Losses

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Abstract

Approximately 65% of the oil spilled in the Niger Delta region of Nigeria has been attributed to sabotage activities inoil-producing communities, resulting in perceptions of revenue losses. For oil industry leaders and managers, understanding predictors of revenue losses are critical to sustainability. Grounded in stakeholder theory, this quantitative correlational study examined the associations among multiple corporate social responsibility factors and revenue losses. Data were analyzed for 86managers of oil companies in Nigeria, who completed the Factors that Affect Company Revenue Questionnaire. Results of the multiple linear regression indicated the full model, was able to significantly predict managers' perception of revenue losses $F(2, 83) = 14.61$, $p < .001$, $R^2 = .260$. Both predictor variables, perceived CSR expenditures ($ß$ = .320, $p = .002$) and perceived pipeline vandalism ($ß$= .318, $p = .002$) made a statistically significant contribution to the model. A key recommendation is mandatory sustainable development CSR projects beyond philanthropic. In addition, NigerianGovernment should make CSR mandatory and not voluntary for the oil companies in Nigeria. The implications for positive social change include the potential to increase employment for the youthsof the host communities` in turn reducing poverty.

Introduction

Perceptions are critical to comprehending the corporate social responsibility antecedents in the context of oil companiesexploring and producing oil and gas in the Niger Delta region of Nigeria. Concerns over exploration and production activities of the oil and gas companies, as expressed by some stakeholders, and host communities have led to increased calls for environmental sustainability and CSR (O'Connor, 2013). Over the years, the growth in oil and gas production has led to increase environmental pollution in the Niger Delta. The operations of oil and gas companies in Nigeria have created economic challenges for the host communities. According to Hashmi, Damanhouri, and Rana (2015), continuous carbon emissions, illegal mining, and pollution have contributed to increased environmental damage.

The negative impact of the oil companies' operations and environmental degradation has led to conflicts between the oil companies and stakeholders, especially host communities. Members of the host communities have retaliated by destroying oil-producing facilities, oil pipelines are vandalized, leading to shut-in of production wells and revenue losses (Ejiba, Onya, and Adams, 2016). The conflict between host communities and the oil companies has motivated many oil companies' managers to engage in community development projects to reduce conflict (Roger & Lee, 2017). Some oil companies have embraced CSR to address industrial, societal, and cultural expectations (O'Connor, 2013). However, despite the efforts of the oil companies' managers, conflicts between the oil companies and host communities persist because of environmental degradation issues. Nwoke (2016) posited that oil and gas companies CSR strategies have not yielded the desired environmental sustainability results, due to lack of collaborative efforts, relationship building and past environmental negligence, such as oil spills and gas flaring that affected the host communities. Such negligence led to lack of trust and has eroded the confidence of the members of the host communities and resulted to bad reputation for the oil companies.

Background

Nigeria is a major oil-producing nation, with more than 80% of the country's revenue generated from oil and gas production (Agbaeze, Udeh, & Onwuka, 2015). Multinational companies (MNCs) such as Shell, Chevron, and Mobil are actively engaged in oil and gas exploration and production in the Niger Delta region of Nigeria, with these activities occurring both offshore and onshore. There have been series of issues and conflicts between the host communities and the oil companies because of the environmental and social conditions of the host communities (Lugard, 2013). Within the host communities, residents' dissatisfaction and complaints of marginalization have resulted in hostilities and the disruption of oil companies' operations, leading to revenue losses. According to Ejiba et al. (2016) the activities of oil companies in Nigeria have created economic challenges for host communities. Problems such as oil spills, air pollution, water pollution, destruction of crops and marine life, have affected the primary sourceof livelihood of the people in the Niger Delta.

To curb the environmental damages, oil companies appropriate some amount of money annually to fund CSR projects such as the provision of social and physical infrastructure and scholarships to students of the host communities. Despite CSR funding and sustainability efforts by the oil companies, the incidence of youth unrest, rebellion, and confrontations in the host communities continues unabated. O'Connor (2013) expressed concerns that the CSR measures adopted by oil company executives have not yielded the desired results, as pipeline vandalism is still rampant, resulting in disruptions of oil and gas production and significant revenue losses.

Theoretical Considerations

In 1984, Freeman proposed stakeholder theory. Freeman stated that the primary objective of a business is to create value for stakeholders. According to Freeman, a stakeholder is any individual or group that is influenced or influences an organization. The key tenet of stakeholder theory is that every stakeholder plays a vital role in the growth and development of the business enterprise and has an interest in the success of theorganization (Freeman, 1984). Furthermore, business leaders must go beyond merely maximizing shareholders' value and understand the strategy for creating value for all stakeholder.Stakeholders of a firm include communities, investors, employees, creditors, suppliers, customers, public interest groups, and government agencies (Wang, Tong, Takeuchi, & George, 2016).The satisfaction of all stakeholders who contribute to the firm's wealth-creating capacity could enhance the organization's chances of maximizing its financial performance (Cordeiro & Tewari, 2015).

Another tenet of stakeholder theory is that business leaders should care for stakeholders whom the company depends upon to provide natural, human and capital resources to gain competitive advantage (Busch & Hoffmann, 2011). In the Niger Delta region of Nigeria, the host communities provide both human and natural resources to the oil companieswhich formsthe basis for exploration and production of oil and gas. Wang et al. (2016) stated that managers use stakeholder theory to account for the role of each stakeholder in increasing the financial performance of a firm. It is the responsibility of the manager to balance the interests of all stakeholders and prevent trade-offs among them (Freeman, 1984).

Companies Leaders who are proactive engage stakeholders to prevent unwarranted distortion of their activities, and have positive influence on stakeholders for sustainability and profitability. Brulhart, Gherra, and Quelin (2019) found that environmental proactivity not only had a positive influence on profitability, managers who are proactive build mutual relationships amongst stakeholders to ensure a conducive operating atmosphere for all stakeholders. Freudenreich, Lüdeke, Freund, and Schaltegger (2019), stated that value creation is a collaborative effort in relationship building ideally benefitting the business and all its stakeholders. Based on the review of the literature, stakeholder theory was an appropriate lens to view the associations among multiple corporate social responsibility factors and revenue losses of oil companies in Nigeria in relation to how business leaders manage crisis and conflicts emanating from host communities in the oil-producing Niger Delta region of Nigeria.

Identifying stakeholders enabled the firm's managers to consider the specific needs of the firm’s stakeholders, which are usually not limited to profit maximization. How, Lee, and Brown (2019) further acknowledged that creating value for stakeholders such as better living conditions, a safer workplace, cleaner environment, and improved fairness, increases firm's performance. Despite the heightened popularity, presumed importance of stakeholder theory in meeting the expectations of multiple stakeholders, creating value for a firm’s shareholders is still fundamental to a firm’s survival.

Literature Review

There are several literature resources on CSR and the influence of CSR on the business performance of a company. CSR has become an integral part of business practice, and there is conflicting evidence on whether CSR strategies affect a firm’s performance and to what extent (Alan, Rajesh, & Julie, 2014). According to Galant (2017), CSR definitions vary with context, and there is little or no consensus on what constitutes CSR. One of the most widely accepted explanations suggests that there are four types of social responsibility: *economic, legal, ethical,* and *philanthropic* (Carroll, 1991). Economic responsibility is described as the basic essence of the business to produce goods and services required by the consumers and make an acceptable profit in the process. Legal is to operate in consistent with expectations of government and law. Ethical responsibility is to perform in amanner consistent with expectations of societal and ethical norms, and finally philanthropic which is a voluntary and charitable activities of corporate organization within the local communities in which they operate. The CSR of most of the of oil companies in Nigeria is philanthropic based. The philanthropic nature speaks to the issue of non-execution of the planned and agreed CSR projects with the communities because there is no regulation or law compelling the oil companies to execute CSR for the host communities. Sometimes, some oil companies sign memorandum of understanding (MOU) with the communities to execute certain projects while some oil companies do not have MOU rather on yearly basis, they are compelled by government agency to provide budget annually for CSR.

Every year, oil company executives make provisions in their annual budget to fund CSR projects such as the provision of social and physical infrastructure as well as scholarships to students of host communities. But the CSR measures adopted by oil company executives have not yielded the desired results as pipeline vandalism is still rampant, resulting in disruptions of operations and significant revenue losses O'Connor (2013). CSR projects of oil companies in Nigeria involve huge sums of money to the benefit of the local communities in which they operate. Most often, these projects were given the least priority and are either not executed or poorly executed without cogent reasons. Figure 1 illustrates the number of CSR projects and costs of the projects executed by fourteen oil companies in year 2016 in Nigeria.

Figure 1: CSR Projects

ENTITY	NO OF PROJECTS	AMOUNT		BASE FIGURE
		NGN	USD	USD
AENR	1	298,176,799		1,148,336
AMNI	12	220,144,463		847,818
APDNL	41	8,417,736,103	1,455,367	33,873,668
APENL	9	8,425,000	32,000	64,446
BELEMAOIL	12	3,719,784,870	13,512,101	27,837,699
PLATFORM/ NEWCROSS	13	76,414,495		294,287
SAPETRO	1		256,929	256,929
SEPLAT	3	630,179,453		2,426,941
SHORELINE	7	604,330,000		2,327,390
SNEPCO	19	78,902,997	250,967	554,837
SPDC	80	4,141,426,588		15,949,421
STAR DEEP	20	1,112,532,000	3,287,000	7,571,572
TEPNG	7	5,282,937	2,212	22,558
TUPNI	30		19,138,504	19,138,504

*Figure 1.*Nonmandatory CSR expenditure of oil companies in Nigeria. Adapted from *2016 Oil and Gas Industry Audit Report* (pp. 105-106), by Nigeria Extractive Industries Transparency Initiative,2018 (https://eiti.org/files/documents/neiti-oil-gas-report-2016-full-report-211218_1.pdf). 'In the public domain'.

According to Lugard (2013), the environmental and social conditions of the host communities deteriorated despite CSR expenditure and sustainability efforts by the oil companies. Host communities' complaints of marginalization have resulted in hostilities and disruption of oil companies' operations, leading to revenue losses. The residents of oil-producing communities have demanded for more sustainable CSR projects to compensate for the negative impacts of oil and gas production on the environment (Edoho, 2008). The operations of oil company in Nigeria have created economic challenges forhost communities. Problems arising from oil and gas operations include oil spills, air pollution, and destruction of crops and marine life, which affect the primary sources of livelihood of the people in Niger Delta. Such trends have angered residents of the host communities, who have retaliated by destroying the oil companies' facilities (Ejiba et al., 2016).

Spills caused by third party interference includes cases of vandalism and crude oil theft. In 2018, over 80% of the oil spilled in the Niger Delta region was attributed to sabotage activities by angry unemployed youths of the oil-producing communities (Ejiba et al., 2016). Some spills were termed "misery" as the origin of the spills were unknown but the closest Operator to the scene of the spill is expected to take reasonable steps to respond to the spills. The causes of some spills are yet to be determine but suspected to be due to third party interference as the joint investigation visits comprising of government agencies, oil companies and communities were either not carried out or inconclusive. Table 2 depict 2018 oil spill records.

Table 2: 2018 oil spill incidents

Month	No. Of Spills Reported	Total Quantity Spilled	Total Quantity Recovered	Natural Accident	Corrosion	Equipment Failure	Erosion/ Waves/Sand	Human Error	Mystery	Operational/ Maintenance Error	Sabotage	YTBD
January	45	406.823	0		2	5		1	5		28	4
February	33	1113.18	0		2	3			6	1	13	8
March	47	85.0899	0	1	1	1			7		28	9
April	47	319.845	0		3	7			4	1	17	15
May	56	1118.91	0		2	5	1	3		2	20	23
June	41	644.713	0		3	8					15	15
July	46	314.506	31.539		1	8			1	1	24	11
August	53	340.596	11.125		2	1					25	25
September	36	273.126	7.251		2	3			2	2	17	10
October	40	2731.44	645.625		2	5			2		20	11
November	79	1990.3	105.01		8	6			4		48	13
December	46	379.679	0		3	5			1		28	9
Total	**569**	**9718.22**	**800.55**	**1**	**31**	**57**	**1**	**4**	**32**	**7**	**263**	**153**

Nigerian Oil And Gas Industry Annual Report by Department of Petroleum Resources (DPR) 2018. (https://www.dpr.gov.ng/wp-content/uploads/2020/01/2018-NOGIAR-1.pdf) 'In the public domain'.

Oil spills negatively impact the coastal environment, as well as entire ecosystems in the Niger Delta region of Nigeria, and remain a source of several international litigations (Ifelebuegu, Ukpebor, Ahukannah, Nnadi, & Theophilus, 2017). A United Nations Environment Programme (UNEP, 2011) reported that oil contamination is widespread in the Niger Delta areas and has severely impacted many components of the environment. Apuke (2017) reported that there is not a week that passes without an oil spill. The frequency of the spills has resulted in significant losses to both the oil companies and Nigerian Government. The lack of documentation of the oil spills has resulted in poor management practices and inadequate record-keeping within the region.

NNPC reported in 2019that crude oil theft was in the upward trend as Nigerian government and oil companies lost more than twenty two million barrels (22,000,000 mmbls) of crude in the first six months due to vandalism and illegal bunkering carried out by dissatisfied and aggrieved people of the host communities in the Niger-Delta region of Nigeria.According to NNPC intheir monthly report for September 2019, 106 pipelinepoints were breached, representing analarming increase from the 60 pointsvandalized in May 2019.This brings to fore, the role of host communities as a stakeholder in the oil and gas business which cannot be over emphasized, and CSR is one of the major ways of giving back to the communities. Sustainable CSR gives the communities a sense of belonging and recognition as a stakeholder in the business. Managers can potentially affect their stakeholders in positive or negative ways. Positive effects include the provision of goods and services, employment, payment of taxes, and the discharge of CSR. Adverse effects take the form of space occupancy, environmental noise, resource depletion, and ecological degradation (Hassan & Kouhy, 2015). Understanding the tenets of stakeholder theory could help managers establish policies to improve stakeholders' engagement.

Stakeholders perceive CSR activities as an indication of organizational managers' level of engagement in the community. The level of engagement represents the advancement of social good, relationship building, and sustainable development to improve quality of life for stakeholders (Bylok, 2016). CSR plays a normative and derivative role in organizations' success. and stakeholders use CSR standards to evaluate whether, when, and how to grant tangible and intangible resources to organizations (Heath & Waymer, 2017). There have been significant debates about the scale, scope, and ongoing role of CSR in a firm. Some researchers have shown that CSR has a decisive role in enhancing a firm's value, both tangibly and intangibly (Bocquet, Mothe, Le Bas, & Poussing, 2015), while others questioned the value-creation role of CSR to an organization.

Methodology and Design

Research Question: What is the association between multiple CSR factors and revenue losses in the oil and gas sector of Nigeria.

The hypotheses are as follows:

Null hypothesis (Ho): The association between multiple CSR factors will not significantly predict revenue losses.

Alternate hypothesis (H1): The association between multiple CSR factors will significantly predict revenue losses.

The population for this studyconsisted of two oil companies located in the Niger Delta region of Nigeria. A correlational design was used for this study as I examined the association between multiple CSR factors and revenue losses of two oil companies. Quantitative researchers examine relationships between variables, test theory based on predetermined hypotheses, and infer results using probability sampling techniques to ensure generalizability (Saunders et al., 2015; Zoellner & Harris, 2017). A researcher may conduct a correlational data analysis between two variables, among three or more variables, or within and between sets of variables (Bleske-Rechek, Morrison, & Heidtke, 2015).

The survey instrument had two parts. The first part featured the demographic information. The second part featured Likert-type scale questions on the variables of CSR projects, pipeline vandalism, and revenue losses. Participants responded to questions relating to the CSR expenditure, pipeline vandalism and other specific factors associated with CSR. Participants were requested to put a checkmark in the response options that best reflects their opinion for each statement. SurveyMonkey® served the survey instrument distribution to the participants online.

Findings

The results of the multiple regression indicated that the model was able to significantly predict perception of revenue losses, $F(2, 83) = 14.61$, $p < .001$, $R^2 = .260$. Therefore, the null hypothesis was rejected, and the alternative hypothesis accepted. Multiple CSR factors significantly predict the perception of revenue losses among oil companies managers in Nigeria**.** Multiple CSR factors such as cost of repairs of vandalized pipelines, oil spill clean-up, CSR expenditure contributed to the revenue losses of the oil companies. Odhiambo, Scott, and Gow (2018) affirmed that oil companies incurred revenue losses because community members perceived the managers of oil companies as being insincere in their CSR efforts. Community members also perceived dishonesty on the efforts of the managers to prevent incidents such as oil spills, pipeline vandalism, and gas flaring from occurring or giving prompt attention when these incidents do occur. The finding by Odhiambo et al. was consistent with the outcome of my study, as managers of oil and gas companies perceived lack of community participation, trust and integrity in handling the CSR projects to be responsible for the revenue losses, even with increased CSR projects revenue losses continue to be on the rise as communities decry the poor environmental practices by the oil companies.

Obamen, Omonona, Okenwa, and Eluka (2019) posited that poor organizational image and poor environmental practices reduce productivity, increase cost, reduce profitability, and negatively affect relationships with stakeholders. Obamen et al. (2019) argued that business managers could improve organizational image and perception through relationship building and integrating other stakeholders' interests in the survival strategies of the company.

Nwozor, Audu, and Adama (2019) revealed that the oil companies had lost reputation and goodwill due to environmental degradation of the host communities from oil and gas exploration and production activities such as oil spills, gas flaring, and improper disposal of wastes from oil drilling operations. Nwozor et al. position corroborates my finding because the opinion of the participants of my study highlighted poor organizational image andinsincerity of purpose on social, economic, and environmental development in the host communities, which have affected the performance and sustainability of oil companies'operations and ledto revenue losses.The participants perception of multiple CSR factors significantly predicted revenue losses.

The results of this study could enhance the knowledge and understanding of managers of oil companies in Nigeria on value-creating CSR opportunities that could promote goodwill and sustain relationships among stakeholders.Business managers could use the findings of this study to obtain information on how to measure the impact of CSR expenditures on host communities., which could assist the managers to adjust CSR initiatives,the existing policies and implementationframework of CSR projects, to improve the perceptions of members of the host communities, and promote a peaceful co-existence of all stakeholders. A better understanding of the impact of CSR could significantly improve the business manager's approach to CSR administration, and in turn, reduce revenue losses. The incessant pipelines vandalism, cost of pipeline repairs, security and oil spill clean-up increase unit cost of production and affect revenue and profitabilityof the oil companies in Nigeria (van der Linden & Freeman, 2017).

The effective implementation of CSR projects and efforts towards human rights, and good corporate governance will lead to reduction in unit cost of production, cost of capital, increase sustainability and profitability.

Recommendations

To satisfy the complex demands of stakeholders, business managers in oil companies in Nigeria could adopt a stakeholder management approach to promote cordial relationships and improve revenue for the companies. Stakeholder management is a strategic approach business manageruse to identify various stakeholders' interests and expectations that needed to be considered and integrated into the firms'strategies to improve their performance (Pedrini & Ferri, 2019). The use of stakeholder management approach would harness intangible resources such as goodwill to create increased social performance and revenue (Theodoulidis, Diaz, Crotto, & Rancati, 2017). Managers should align the organization's interests to those of other stakeholders to create competitive edge and increase revenue.

The Nigerian government could use the outcome of this study to ensure mandatory sustainable development CSR projects that goes beyond philanthropic such as the provision of roads, electricity, and waterto drive ecological sustainability projects that will bring about a clean environment devoid of oil spills that affect the means of livelihood of members of the host communities and other stakeholders. CSR should no longer be voluntary in the oil and gas sector. The Nigerian government should establish an agency to regulate CSR and enforce penalties for non-compliance to the CSR regulation and environmental sustainability. Engagement in sustainable development projects in host communities and promoting small scale businesses through skill acquisition and grants to individuals to start up small scale businesses could keep the youths and members of the communities engaged.

Conclusion

Business managers operate in a competitive environment and are always under pressure to improve and sustain the revenue base of their companies in an environmentally friendly manner (Kushwaha & Sharma, 2015). Operating in a conducive environment has proven to help business leaders remain competitive, manage, and respond to challenges from other stakeholders to increase productivity. Business leaders incur operational costs associated with multiple CSR factors and security in the oil and gas industryas a result of lack of trust and perceptions. Increase interactions with members of the host communities is key to create a conducive environment to operate and change the orientation of members of the communities from lack of trust to having a sense of belonging as a stakeholder in the business.

The underlying theoretical framework was the stakeholder theory. Researchers have used stakeholder theory to examine the relationship between CSR and organizational performance (Adamska, Dabrowski, & Grygiel-Tomaszewska, 2016). The stakeholder theoristconcept that CSRand sustainable development projects could reduce revenue losses to the barest minimum (Paul, 2015), was not in alignment with the inferential statistical outcome of my study. The nonalignment was attributed to the economic cost of environmental pollution, the pervasive poverty, perception, and the other socio-ecological crises within the Niger Delta region which corroborates findings from Freudenreich et al., which states that value creation is a collaborative effort in relationships, ideally benefitting the business and all its stakeholders.

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