CONSUMER PERCEPTIONS OF CORPORATE SOCIAL RESPONSIBILITY: STUDY OF AN OIL AND GAS COMPANY IN NIGERIA

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This paper presents the results of an exploratory study into the perceptions and feelings of consumers towards the corporate social responsibility (CSR) efforts of an American oil and gas MNC in the Niger Delta of Nigeria. It examines the concerns and some of the links between ethics and CSR. Some managerial implications and recommendations for further study are presented.
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* https://marketing.conference-services.net/programme.asp?conferenceID=4002&action=prog_list&session=32087
CONSUMER PERCEPTIONS OF CORPORATE SOCIAL RESPONSIBILITY: STUDY OF AN OIL AND GAS COMPANY IN NIGERIA

Introduction

Studies have shown that consumers increasingly make purchases based on perceptions of a company’s social responsibility and ethics as well as their application of these principles in the society (Forte & Lamont, 1989; Herr et al., 1991). According to Carrigan & Almad (2001), companies/marketers should be socially responsible and ethical because these conducts are the chief determinants of product sales and image of an organization. The reputation of the company encompasses its activities which affect the community including consumers, and this potentially affects buying behaviour (Boulstridge & Carrigan, 2000, p. 4). Therefore, it is not surprising that companies want to be seen as ethical companies aware of their corporate social responsibility (CSR). The CSR stance of an organization is concerned with the length the organisation goes beyond its regulatory and legal obligations to both the shareholders and stakeholders alike (Gerry et al., 2005, p.188-189). The CSR concept has undergone several changes and is still evolving and Carroll (1999) pointed out the need for empirical research to reconcile practice with theory. There have been only a few empirical studies which looked at consumer perceptions of CSR actions of a company (Creyer & Ross, 1997; Ellen et al., 2000; Sen & Bhattacharya, 2001) and it is hoped that this study would add to the body of knowledge.

The context of the study is an American oil and gas multinational corporation operating in the Niger Delta region of Nigeria. The Niger Delta is situated in the southern Nigeria and bordered to the south by the Atlantic Ocean. The region is made up of nine states, namely Abia, Cross Rivers, Rivers, Akwa Ibom, Ondo, Delta, Imo, Bayelsa and Edo states, and has a population of 31.2 million people, according to the 2006 census figure. The states comprise of numerous villages, ethnic groups and dialects. Since oil and gas was discovered in the Niger Delta region of Nigeria, in the 1950s, a number of oil and gas multinational corporations are actively involved in upstream (oil exploration, extraction, shipping and wholesale) and downstream activities (marketing, refining and retail, and chemicals). Despite the efforts of the government and claims of commitment to the well being of the people and customers by multinational oil and gas firms, there is evidence of deprivation and poverty in the region (Frynas, 2001; World Bank, 2014).

Theoretical Background

The concept of CSR is not new and some key authors who have contributed to the existing literature on the concept include Barnard (1938) on the functions of the Executive, and Kreps’ (1940) measurement of the social performance of business. Bowen (1953) defined Corporate Social Responsibility as a “responsibility of business to go after those policies, making those decisions which are representative of the norms, wishes and desires of the society” (p.6), agreeing that business organisations are very powerful and influential in decisions that affect the society. Propounding a similar idea was Keith (1960, p.70), in which he said that CSR is the decision and action taken by management which transcends direct economic, legal and technical interest. A similar definition was also given by Fredrick (1960, p.60).

The role of corporations in society has been widely debated and there are also a number of authors who have argued that the primary motive of businesses is to make as much profit as
possible (Backman, 1975; Friedman, 1962). Franketa (2001) also subscribed to the idea that CSR and ethics are secondary, and should not be viewed as serious, because the sole aim of business is profit. However, they ignored the fact that stakeholders of a business also include the society in which business operates. Lichtenstein, et al., (2004, p.17) believed that CSR benefits an organisation by creating consumer identification with the corporation. According to McGuire (1963), social responsibility supposes that organisations have certain responsibilities beyond economic and legal obligations to the society (p.144). This is in line with the views of Bowen (1953) and Keith (1960) as well.

On the other hand, Johnson (1971, p.51), approached the concept of CSR from a stakeholder perspective, observing that business is not done in a vacuum, rather within a social-cultural system that has norms, stressing that corporate social responsibility helps in profit maximization (p.54). According to Sethi (1975) corporate behaviour must be in line with societal norms, values and expectations of performance by the public (p.62). To buttress the importance of this concept, Preston & Post (1975) preferred to use the phrase ‘public responsibility’ in relation to the obligation organisations owe to society. Affirming the ethical nature and the natural fit between corporate social responsibility and organisation’s stakeholder, (Carroll, 1979, p.500) notes that the responsibility of business includes, economic, legal, ethical and discretionary, sometimes called philanthropic but at the same time not forgetting that the business institution is a basic economic unit.

Closely related to CSR is the concept of ethics. Ethics has different meanings to different people. According to some authors, ethics go beyond the law, dealing with issues which may be legal, nevertheless, unethical (Selegelmilch, 1988). DeGeorge (1982, p.13-15) put forward that ethics is the study of morality. Similarly Taylor (1975, p.5) believed that it involves the study of the nature and grounds of morality, while morality means judgement standards and rules of conduct. Other authors talked about ethical behaviour simply as the “just” or “right” standards of behaviour (Beauchamp & Bowie, 1983). Thus, Beauchamp and Bowie (1983, p.3) defined ethics as the “inquiry into theories of what is good and evil, and into what is right and wrong, and thus an investigation into what we ought to do and what we ought not to”.

Many authors do agree that firms that engage in corporate social responsibility ultimately reap good financial rewards (Keith, 1960; Posnikoff, 1977; Teoh et al., 1999). According to Drucker (1984, p.62), the accurate social responsibility of business is to turn social problems into economic opportunity economic benefits into productive capacity, and finally, wealth.

Methodology

Qualitative data was collected by means of in-depth interviews of Nigerian students at a British university in the West Midlands, carried out over a period of three months. The students were contacted via The Association of Nigerian Students at the University and nine students representing each of the nine states from the Niger Delta respectively, were selected for the in-depth interviews. The sample was considered appropriate for an exploratory study and they represented the diversity and breadth of the sample population.

The interviews lasted for about 45 minutes and were semi-structured with open-ended questions. These interviews had a degree of flexibility with the ability to probe further. The interviews were recorded with the permission of the respondents after the purpose of the research was made very clear to them in line with the ethical requirements. They were also informed of the right to opt out. The data obtained was then transcribed and analysed with the help of NVIVO software, to identify similar patterns and themes.
Results and Discussion

The specific words frequently used by the respondents through the course of the interviews are illustrated as a word cloud in Appendix 1. The most visible or bolder the words, the more frequently they were used. This was useful in order to identify the key themes and issues.

Based on the commonly used phrases a few themes were identified as discussed below:

1. Poor Infrastructure and other issues affecting the region

A number of the respondents pointed out the problems with infrastructure in the Niger Delta region - including the lack of facilities like safe drinking water, good road networks, hospitals and healthcare delivery system, electrification of rural communities and a lot more. They highlighted the issue of unemployment as one of the major problems. All the respondents emphasised the urgent need to tackle this issue as they cited this as the cause of other societal issues including vandalism and other anti-social behaviour and also that the MNCs operating in the region had a major role to play.

2. Contribution to Community/Society

Four of the respondents acknowledged the positive roles carried out by Company XYZ, targeted at changing and improving the lives of both its members of staff, the host communities and society as a whole. These endeavours include road construction, provision of safe drinking water, healthcare centres and a lot more. However, they believed that these were not in proportion to their size and financial strength, and the profit they obtained from extraction oil and gas from the region. The negative perceptions are discussed later under the ‘Negative Perceptions of the Company’ section.

Most of the respondents acknowledged that Company XYZ has provided scholarships to promising children. They agreed that a key to ensure sustainable development in the region can only come through education. However, they suggested that these companies could extend this contribution to equipping the existing schools with modern learning materials. They also mentioned that in order make the learning environment conducive and motivating teachers, the companies could help by supporting training and retraining for teachers as well.

Fulfilling community needs is indeed a driving force towards corporate social responsibility. Due to the fact that the government cannot take care of all the community needs, especially in this case, the corporations should come in to make up where the government has not been able to cover. According to the respondents, this could mean the direct involvement in improvement of infrastructure and employment opportunities.

One respondent highlighted the need for Company XYZ to undertake corporate social responsibility and social marketing campaigns, as a means to changing behaviour and attitudes as well. According to another, this is achievable through wider publicity of the negative effects of societal vices and providing counselling centres where the public can be told about its consequences, and rendered help and assistance.

As to the positive impacts of having good CSR policies in place and being seen as a good citizen, all of the respondents agreed that Company XYZ would benefit in many ways. Majority of the participants in the survey agreed that involvement in the communities and strengthening their corporate social responsibility would go a long way in improving the reputation of the company. This could lead to higher customer retention and loyalty, and even greater security for staff. As one responded put it: “...the community people are very happy
with that, they tend to like retain the customers, emm, and the community, and this leads to loyalty and the people of the community would want them to continue staying there, and doing their business.”

This is quite interesting as the respondents seem to subscribe to the broad view of the stakeholders theory which posits that organisations can affect and be affected by everyone, including those with direct impact in an organization’s main and core interest-economic, as well as those which have an indirect impact (Verdeyen et al., 2004; Wheeler & Sillanpaa, 1998). In line with Carroll (1979), there is a need for the companies to have a clear understanding of the stakeholders, to whom the firm has responsibility to, relationship and clarifications of the understanding of responsiveness to the issues.

The respondents also clearly think that the oil and gas companies have a social marketing role. In other words, they are expected to fashion, manage and even execute activities aimed at welcoming and accepting social ideas and is in line with the definition of social marketing given by Kotler & Zaltman (1971, p.5). Prior research has shown that companies stand a good opportunity to endear themselves to the society through their involvement in social/cause-related marketing which is an embodiment of corporate social responsibility and ethical marketing campaign. However, one respondent did not think that strengthening CSR policies or even involvement in ethical marketing campaigns determines purchase behaviour. According to him, the quality of the product is more important than the company’s reputation in determining purchase behaviour.

3. Negative Perceptions of the Company

Most of the respondents were not aware of any social/cause-related marketing campaigns carried out by the company in Nigeria, though a few had seen advertisements in the print media. One respondent alleged that corporate social responsibility campaigns in Nigeria were fraudulent and only helped to spread corruption. This perception is indeed a serious issue as the companies have social marketing campaigns in place but they are obviously not getting the message heard.

Several respondents highlighted the environmental issues especially the issue of environmental degradation through oil spillage. For example, one respondent commented: “so the community is still lagging behind, they are suffering, a lot of oil spillage, the livelihood of the people. They have been deprived of their livelihood, no social responsibilities, people can’t go to farm to feed their families, they cannot go the rivers, where they fish, you know a lot of….you know they are destroying the habitat.”

They did not see a sincerity of the company in preventing such incidents from happening or cleaning up quickly when these incidents happened. This has clearly affected the reputation of the company. At the same time, some of them highlighted the common damage and pilfering of oil from the pipelines as a symptom of both the poverty and poor attitudes of local people towards the companies in the region.

Most of the participants believed that companies with poor CSR and ethical records should be named and shamed. They believed that the establishment of a new supervisory body, that would oversee the activities of the oil sector and would be responsible for detecting irresponsible and unethical marketing practices in the region. This indicates the general belief that government organisations responsible for monitoring and prosecuting the oil companies were not doing enough. However, taking a different position, one respondent suggested that companies who had positive CSR policies in place should be rewarded. It was also clear that
some of the respondents had quite different ideas of what constitutes ethical behaviour as opposed to CSR. Most of the respondents clearly felt that they were synonymous. However, according to one respondent, ethical behaviour relates to how the company carried out its business – in oil exploration and exploitation as well as its marketing activities.

One respondent did not believe that being ethical would not help the community in any way. However, she was in the minority. As Creyer & Ross (1997) has shown, consumers do care about ethical behaviour which influences their purchase behaviour. Another respondent felt that CSR is a value added service – meaning that they were considered as non-core services, used by companies in order to promote their primary business. Even though the two concepts may be linked, CSR activities do not necessarily mean that the company is ethical. The various responses clearly highlight the importance of CSR in this particular context and highlight the responsibility of the oil companies to make policies and decisions that reflect norms, wishes and aspirations of the local community they trade and operate (Bowen, 1953).

Conclusion and Recommendations

This study looked at the CSR of an MNC operating in the Niger Delta from the perspective of consumers. The Nigerian government as well as the oil and gas companies have clearly tried to portray the oil firms as being socially responsible in the west, namely in the UK and the US (Frynas, 2001, pp. 44-45) but their reputation on the ground is clearly different. The fact that none of the respondents were aware of any social/cause-related marketing campaigns carried out by the company highlights the need for effective communication in order to bridge the gap between company XYZ and the expectations of the host community. From a theoretical perspective, there seems to be some confusion with regards to the concepts of CSR and ethical behaviour. Some respondents clearly saw these concepts as synonymous whereas a few others saw them as different concepts.

While companies are mostly concerned with the stakeholders directly affected by the behaviour of the organization, namely, the shareholders, employees and customers, they sometimes ignore the society which they operate in. Companies need to move away from the classical view of profit maximisation and the importance of having a broader socially responsible business practices in order to be successful in the long-run. Contributing to the community should not be a “value added” practise as stated by one of the respondents or a discretionary responsibility but rather should be seen as part of ethical behaviour.

As suggested by some of the respondents, the company needs to take a more pro-active role in developing the infrastructure and investing in education even though it is not a legal or regulatory requirement. An interesting finding is the clear link between CSR, social marketing and ethical marketing in the minds of the respondents even though these are considered as different concepts. Done correctly, these could ultimately be for the benefit of all the stakeholders involved.

The limitations of this research is acknowledged especially the fact that the respondents are all students in a British University and as such, further studies are recommended to be carried out in the field with a larger sample. There is also a need to further examine the key issues that have emerged namely, socially responsible CSR and environmentally concerned CSR, as well as the relationships between ethics and social marketing.
REFERENCES


Appendix 1: Most Frequently Used Keywords

Note: Company names have been blanked out.