

Impact of Sustainable Social Reporting on Community - Business Relations in South - South Communities of Nigeria

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Abstract

This study basically sought to identify the extent to which sustainable social reporting of oil companies' impact on community-business relations in Niger-Delta part of Nigeria. The study adopted a cross-sectional survey research design and a sample of 104 respondents representing various stakeholders in the affected communities. Hypotheses were formulated in line with the research objectives and research questions and were tested using Spearman correlation statistical tool via Statistical Package for Social Sciences (SPSS) software. The significant findings of the study is that sustainable reporting of the oil companies in the area of community projects impact significantly on community-business relations. The study also revealed that sustainability accounting affect the level of profitability of the companies in Nigeria. The implication of findings is that community- business relations are enhanced through effective reporting of commitments of companies in improving social infrastructure in the communities. This will not only promote healthy relationship between the principal place of location of the companies but will promote the level of profitability of the companies.

Keywords:--Sustainability, Social Reporting, Community, South-South Nigeria, Relations.

1.0 Introduction

Sustainability report is a report produced by business organizations which gives information about economic, social and environmental performance of business organizations. The concept of sustainability reporting is a recent trend in reporting which has expanded over the past two decades. This reporting style can be traced back to environmental accounting with the first environmental accounting published report in the late 1980s by a renowned chemical company which had reputation crises. Sustainability report is a non financial report and appears to be an extension of corporate social responsibility (CSR) accounting which provides progressive quantitative report. In his view, Graffney (2010) opines that sustainability reporting has to do with corporate communication with stakeholders that describes a company's approach to managing one or more of the economic, environmental and social dimensions of its activities through providing information on these dimensions. Sustainability reporting as corporate communication with stakeholders suggests that organizational stakeholders have key roles in pre reporting processes and procedures. It therefore calls for adequate consultations and corporations so as to adequately incorporate their views, especially on business activities /issues that have direct impact on them. In other words it requires companies to be responsible to shareholders and to all other stakeholders who are affected by the actions of the business.

On social aspect, infrastructures such as roads, clean running water and electricity are not always available to most communities. Proper health-care is not readily accessible too to majority of the people living in these communities. Chukwuemaka, Anazodo and Nzewi (2011) revealed that the resultant effect of the poor living condition is evidenced in the widespread illiteracy. The citizens of the South-South Nigeria where the nation derives greater percentage of her resources has persistently complained that adequate attention has not been given to them as regards to development, employment and social amenities irrespective of the environmental devastation result from oil activities which caused the people untold hardship. A recent study by National Bureau of Statistics (2011) on the Nigeria Poverty Profile shows that greater percentage of the population in South- South States are on the core poor category based on derived subjective poverty measure(See appendix 1).

However, the percentages for other zones on core poor category (Derived Subjective Poverty Measure) are South West =34.4%, North West= 47.3% North East =51% North Central= 42.4% South East = 59%. This suggests that the South-South communities receive little from the much they contribute to the national grid. Accordingly, Niger Delta Budget Monitoring Group (2010) reported that the South-South area of the country is among few regions in the world with high rate of poverty amidst of wealth; because either the government or the individual citizens are isolated from international conventions and instruments which Nigeria is an endorsing party for the collective good of citizens. The infiltrating anger of these inequitable has erupted into more frequent and explosive confrontations in recent time. In their extreme anxiety to find a livelihood for themselves, unemployed youth join tribal warlords, gangs and militant group, to take over the oil facilities, kidnap oil workers and engage



in other social vices, intending to forcefully attract the attention of the multinational and also to acquire momentary, political and social compensations. The volatile nature of community- business relations which has accounts for significant loss in oil revenue for government and decline corporate profit for multinational oil companies can be avoided via sustainability reporting.

Despite the wide claim and verifiable facts of social sustainability reports by the oil companies in South-South for about two decades, there exist evidences of continuing denial of social benefit that should accrue to these communities as oil rich communities. These evidences of continuing denial centre on very key but controversial issues that directly impact on the society. Recent studies by ECCR (2010), Ushie, Olumodeji and Phang (2011), Bayode, Adewunmi and Odunwole (2011) and Solomon (2011) identified these issues to include, financial commitment on capital projects in the communities, infrastructural developments and lack of other social indicators of human development indicators among others' The companies and the host communities appear not to agree on these issues. These however, these have been the source of community-business disagreement in most oil rich communities of the South- South Nigeria. Idemudia (2010) affirmed that in spite of widespread claim of adherence to the ideals of sustainability and or Corporate Social Responsibility (CSR), community-business conflict has remained unabated and the multinational oil companies are steadily being accused of familiar misconduct. Over the years these contrasts have degenerated into crises and conflict between the local communities and the oil companies operating in the region. Out of frustration and an attempt to forcefully put across their point, the people especially the youth took to militancy, kidnapping of foreign workers, oil bunkering and other social vices. The crisis has greatly affected oil production in Nigeria and by extension oil revenue to Nigeria. Clarke (2008) avers that there are about 14,000 pending cases on compensation brought by various host communities against oil companies operating in South-South region. A scenario that suggests that ingredients of sustainability reporting peculiar to South -South communities and stakeholders may not have been incorporated in the current reporting pattern of the oil companies. In other words there is already a reporting pattern which is deficient in meeting the needs of South- South people. The deficiency in their current reporting pattern include deficiency in reported financial commitment on community projects. Other issues include the social sustainable practice effect on the business fortunes.

Based on these facts, there was the need to re-evaluate social sustainable practice and strategies by the multinational oil companies in South-South in line with its impact on community –business relations which has degenerated over the years.

The general objective of the study is to ascertain the impact of sustainability reporting of the multinational oil companies operating in the South-South Nigeria on community-business relations. However, the specific objectives includes:-

- 1). To ascertain whether reported financial commitment of the oil companies on community projects impact significantly on community-business relations.
- 2) To determine whether reporting on sustainable social business practice impact significantly on the profitability of business organizations in exploration activities.

2.0 Review of Related Literature

Capital projects have been adjudged as veritable indicators of development especially in developing countries. Casey (2005) opines that there are generally three essential elements in putting in place sustainable projects and other social infrastructures; they include capital resources, recurrent or non - capital resources and governance arrangement. These are simultaneously needed to ensure that there is appropriate planning management and accountability, both in the execution process of the projects and at the long run. In most cases where capital projects are to be provided for communities by business organizations, focus are mostly concentrated on capital resources; recurrent resources and governance arrangement are relegated to the background .The implication of this is that the project will not be sustainable at the long run. In his opinion Wiseman (2006) said that key features that ensures successful community project among others include; strong community ownership and leadership, clearly defined and agreed goals with clear tangible benefits, strong leadership and support from levels of government, effectual engagement of local communities and other stakeholder, high level trust and good communication strategies and engagement of right resources and experts. Emphasis on every feature suggested by Wiseman has an element of community support directly and indirectly; which supports my earlier opinion on the importance of community in the management of community projects. Effective monitory and evaluation ensures that unique information about project performance is made readily available. Centre for Citizenship and Human Right, Deaken University, (2006) found that voluntary activities are increasingly identified by Government at all levels as vital to building active supportive and strong community project. The implication of this particular finding is that community will willingly work towards protecting their stake (efforts); and as such will resist anything that appears tangential to the prospects of such efforts. Still in line with this concept, a study in Australia on social capacity creation by Healy (2007) demonstrates that there are



important correlations between community participation in project and feelings of social inclusion. Also the Apple juice consultant 2008 report on evaluation of social impact of a client fund, recognized the impact of promoting community projects to local populations, the report stressed the need for project managers to have good knowledge of their host community and to have the capacity to partner and network with local communities, interest group and cultural diversities to ensue effective promotion.

The success of a given capital project is ensured when stakeholders including local communities are involve in its planning, initiation, formulation and also execution, capital project is very essential to local communities; who understands the environment more than the investor, therefore in planning a project the process must enjoy local inputs and community considerations. Community impact assessment is essentially an integral part of project development and entire decision making process. The process provides critical information about community values for the articulation of project objectives. During evaluation and selection process relevant information from the communities are considered thereby integrating infrastructure dream of this community in perspective. Also community impact assessment influences the Environmental impact statement (EIS). In their view Heritage Lottery Fund (2010) opined that project management and staffing are key top project success and as such professional help in overseeing project was essential to the success of our project. By encouraging volunteers from local communities to assist in project exception, the local communities support the project in their locality. According to FAO (2012) Participatory project evaluation helps in regulating and redefining objectives, reorganizing institutional arrangements or re-allocating resources as essential. Monitoring and evaluation system (MES) allows constant surveillance in order to assess the local development project's impact on proposed beneficiaries. Involving local people in project evaluation is one of the learning objectives of participatory management strategy. Apart from project's impact on the life of the people, it is also worthwhile to evaluate: i) attitudinal changes in the local community about their role and sense of responsibility; ii) if people have gained confidence in their ability to undertake new activities; and iii) lessons about people's capacity, extent of participation and community responsibilities. Participatory project evaluation provides prospects to the project implementation committee to access deficiencies in the project design-if objectives and work plan were realistic, if local funding was sufficient and whether project is actually owned by the people. Responds to these questions indicate future precautions and modifications in the method and approach. This in itself is an achievement in capacity building at the local level.

3.0 Methodology

This study adopted a cross-sectional survey research design. This type of research design utilizes different groups of people who differ in terms of interest but share other characteristics such as socio-economic status, educational background and ethnicity. The study was carried out in 8 selected oil rich communities in South-South Nigeria. The researcher adopted a sample size technique called creative research system sample technique.

$$\text{Formula} = \text{Sample Size} = n / [1 + (n/\text{population})]$$

$$\text{Where } n = Z * Z [P(1-P) / (D*D)]$$

Where P = True proportion of factor in a given population or the expected frequency value.

Where D = Maximum difference between the sample mean and the population mean or the expected frequency value minus (-) worst acceptable value.

Where Z = Area under normal curve corresponding to the desired confidence.

Confidence level = 95% = 1.960, Expected frequency of the factor under study = 50%, Population of study = 341, Confidence interval = 8%

The provision for the confidence interval at 8 % is based on the complexity of the population components. A confidence interval is used to express the uncertainty in a quantity being estimated. This uncertainty exists because inferences are based on a random sample of finite size from a population or process of interest.

Worst acceptable frequency = 50% - 8% = 42%

Formula

$$n/[1+(n/\text{population})].$$

$$\text{Where } n = Z * Z [P(1-P) / (D*D)]$$

First we will calculate the value for 'n'

$$\begin{aligned} n &= 2.960 * 1.960 [0.50 (1-0.50)/(0.08 * 0.08)] \\ n &= 1.960 * 1.960 [0.50 (0.50)/0.0064] \\ n &= 1.960 * 1.1960 ((39.06)) \\ n &= 1.960 * 76.55 \\ n &= 150.03 \end{aligned}$$

Then we will calculate the sample size = S

$$\begin{aligned} S &= n / [1 + (n/Population)] \\ S &= 150.03 / [1 + (150.03/341)] \\ S &= 150.03 / [1 + 0.439970] \\ S &= 150.03 / 1.439970 \\ S &= 104 \end{aligned}$$

This technique applies in determining sample size in a situation where the study is focusing on the observation or a behaviour of a representative subset. The target of the study is the entire South-South Nigeria; but study will however make inferences based on the opinions of community leaders in critical issues under considerations by this study from selected communities to represent the entire position of the people of South-South Nigeria. The researcher developed and administered structured questionnaire to the staff in public relation departments/units of each of the 4 selected oil companies and to community leaders of 8 of the selected oil rich communities (the representatives of town/community unions and groups and opinion leaders of each of the 8 selected communities). Their responses were used for data analyses. Data were collected from these groups of respondents using a survey instrument that incorporates both open and close ended questions. The researcher used Spearman correlation as a statistical tool and technique of data analysis of this study. This was achieved via the use SPSS software version 17.0. In order to convert the ordinal scale to interval scale a weighting was given to each of the responses in the scale.(Likert scale)

Test of Hypothesis

Table 5 of appendix B represents the cross tabulation of the two variables employed in the analysis of hypothesis two of the study. Where

RFCCP is a code for questionnaire item no.32; and it represents responses on whether the oil companies should make enough financial commitment on community project.

RFCCPCBR is a code for questionnaire item no.34; and it represents responses on the impact of reported financial commitment of the oil companies on community projects on community-business relations.

4.0 Findings

From the hypotheses tested it was observed that 65 out of 104 respondents strongly agreed that the oil companies in their community should make enough financial commitment on community projects, 27 respondents representing 25% agreed while only 8 respondent representing 7% disagreed. 4 out of 104 strongly disagreed that the oil companies should make adequate commitment on community projects. On whether reported financial commitment impacts on community- business relations; 66 or 63% respondents out of 104 strongly agreed, 26 or 24% agreed, none of the respondent was undecided. On the contrary 10 or 9% disagreed. 2 (2%) respondents strongly disagreed that reported financial commitment on community projects impacts on community-business relations.

Moreover, the statistical test shown in tables 4 and 6 (see appendix 2) show a significant correlation coefficient value of .707 which confirms a strong positive correlation between the two variables. The P- Value for this test (.000) is less than the pre-set value of 0.01. Accordingly, we can say that we have a strong evidence to accept the Alternative hypothesis and reject the Null Hypothesis (Accept H₁ and reject H₀).

5.0 Conclusion and Recommendations

That reported financial commitment of the oil companies in South - South Nigeria on community projects does impact significantly on community-business relations. The study further shows that there has been total neglect in the provision of capital projects and other critical infrastructures in the region since the inception of oil exploration in commercial quantity. The oil multinational companies have perpetuated oil colonies in local areas where oil executives live quite lavishly in comparison to the impoverished conditions of the local communities. Apart from this, there is high level of inconsistency of government policies, lack of political will to regulate the industry properly, corruption and lack of transparency in handling community capital projects on the part of the

oil companies. Their reporting strategies are still being criticized for incompleteness, inconsistency and also lacking necessary input from stakeholders/community leaders who are directly affected by their activities.

Based on the findings of this study, we hereby recommend as follows:-That the oil companies operating in South –South communities should henceforth step up their financial commitment on community projects and other critical infrastructures in the communities. Employ a more transparent approach in dealing with community projects challenges; and develop strategic evaluation and reporting mechanism that will encourage stakeholders' involvement. This will impact significantly on community-business relations.

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APPENDIX 1

**Table 1 Extract of Poverty Profile of South-South States
 Derived Subjective Poverty Measure**

	Core poor	Moderately poor %	Non poor %	Total %
Akwa Ibom	50.4	43.3	6.3	100
Bayelsa	67.6	28.6	3.8	100
C/River	69.6	26.0	4.4	100
Delta	57.1	36.2	6.7	100
Edo	33.7	59.1	7.2	100
Rivers	57.9	33.9	8.2	100
TOTAL	54.3	39.2	6.6	100

SOURCE National Bureau of Statistics 2011

APPENDIX 2

RESULT OF THE ANALYSIS—HYPOTHESIS TWO

Table 2: AFCCP * RFCCPCBR Cross tabulation

Count		RFCCPCBR				Total	
		SD	D	A	SA		
RFCCP	SD	1	3	0	0	4	
	D	1	7	0	0	8	
	A	0	0	17	10	27	
	SA	0	0	9	56	65	
Total		2	10	26	66	104	

Table 3 Spearman's Correlations Output

			AFCCP	RFCCPCBR
Spearman's rho	RFCCP	Correlation Coefficient	1.000	.707**
		Sig. (2-tailed)	.	.000
		N	104	104
	RFCCPCBR	Correlation Coefficient	.707**	1.000
		Sig. (2-tailed)	.000	.
		N	104	104

**. Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS output

Table 4: Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
RFCCP * RFCCPCBR	104	100.0%	0	.0%	104	100.0%

Table 5 Symmetric Measures

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	.901	.025	20.950	.000 ^c
Ordinal by Ordinal	Spearman Correlation	.707	.071	10.085	.000 ^c
N of Valid Cases		104			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

Source: SPSS output

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