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An Ethical-Theory-Based Analysis of the Social Responsibilities of Three Global Corporations: ExxonMobil, Shell and Pfizer

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A ubiquitous societal expectation of global corporations is that they engage in activities that indicate their acknowledgment of a broad spectrum of their stakeholders' interests – regardless of their product lines. Corporations that renege on their social responsibilities – and more so those without a compelling reason – tend to lose societal and stakeholder support or, as Davis noted more than three decades ago, their social power:

Society gave business its charter to exist, and that charter could be amended or revoked at any time if that business fails to live up to society's expectations. Therefore, if business wishes to retain its present social role and social power, it must respond to society's needs and give society what it wants. (1973, p. 314)

Corporations that fail to meet such societal expectations are also deprived of the benefits associated with being good corporate citizens. Studies have reported that environmentally sensitive companies have better operational and financial outcomes than those with dismal environmental records, because consumers base their purchasing decisions or their support of an organization's mission on a firm's willingness to be socially responsible by, for example, protecting the environment as an indicant of its corporate social performance (Berman *et al.*, 1999; Bhattacharya, Sen and Korschun, 2008; Burke and Logsdon, 1996; Cochran and Wood, 1984; Falck and Heblich, 2007; Hart, 1995; Mohr and Webb, 2001; Pava and Krausz, 1996; Russo and Fouts, 1997; Sen and Bhattacharya, 2001; Sen, Bhattacharya and Korschun, 2006; Vafeas and Nikolaou, 2001; Waddock and Graves, 1997). Consequently,

multinational enterprises acknowledge the interplay between social performance and ethics by asserting their 'moral responsibility to protect the physical environment and society in which they carry out their operations' (Eweje, 2006, p. 37).

Multinational corporations engage in the traditional conceptualization of corporate social responsibility (CSR) by which they use thought leadership, that is, offering knowledge and technology critical to resolving a specific global problem, or concrete action, that is, implementing a coordinated strategy for corporate engagement on a global scale, or both (Schwab, 2008). Even so, they are also active partners in political CSR – becoming politicized, assuming an enlarged political co-responsibility in their business environments and fulfilling responsibilities once regarded as strictly the domain of governments (Scherer and Palazzo, 2007; Scherer, Palazzo and Baumann, 2006; Scherer and Smid, 2000; Snow, 2006).

Other studies, however, did not find any relationship between social responsibility and corporate financial performance (Abbott and Monsen, 1979; Alexander and Buchholz, 1978; Aupperle, Carroll and Hatfield, 1985). Still others (such as McMillan, 1996 and O'Connor and Meister, 2008) reported mixed results, the neutral impact of CSR on financial performance (for example, McWilliams and Siegel, 2000) and, in certain conditions, negative effects (Sen and Bhattacharya, 2001).

The purpose of this chapter is fourfold. Firstly, it profiles and outlines behaviours of three global corporations within the social contexts of their programmed activities. Secondly, it applies classical ethical theories to analysing those behaviours. Thirdly, based on an analysis of the ethics of the companies, it prescribes four actions specifically for Nigeria and identifies how those actions could have broad implications for regulatory policies on corporate behaviours in developing countries. Such prescriptions are cast within the overarching framework of both the Sullivan Principles and the United Nations Global Compact. The Sullivan Principles require, among other things, that companies support economic, social and political justice wherever they do business, encourage equal opportunities at all levels of employment, including racial and gender diversity on decision-making committees and boards, and help improve the quality of life for communities, workers and children with dignity and equality. Like the Sullivan Principles, corporate adherence to the Global Compact, launched by the United Nations in 2000, is a voluntary demonstration of an organization's citizenship in a global economy through its support of core values in four areas: human rights, labour standards, the environment and anti-corruption (United

Nations Global Compact, 2008). Together, the Sullivan Principles and the Compact's ten universally accepted principles are frameworks that encourage companies to commit to responsible business practices and to a sustainable global economy. Finally, the purpose of this chapter is to identify a tentative research agenda as a basis for extending theory building to developing nations.

Three global corporations – and their social responsibilities

The selection of the three corporations for this case study was based largely on their impact on Nigeria, which has the world's tenth-largest proven oil reserves and where, collectively, the companies do most of their business in Africa. Additionally, all three are formidable organizations in their product lines. ExxonMobil is the world's largest oil-prospecting and oil-refining company, and Royal Dutch Shell PLC, parent company of Shell Petroleum Development Company of Nigeria Limited (SPDC), is the second-largest. New York-based Pfizer is the world's largest research-based biopharmaceutical company that develops, manufactures, promotes and markets prescription medications worldwide. Its revenue for 2008 was \$48.3 billion; on 15 October 2009, it acquired Wyeth Pharmaceuticals, which had sales of \$15.7 billion in 2008.

ExxonMobil's social responsiveness

Globally, ExxonMobil has had record levels of corporate earnings since 2005, enabling it to be increasingly philanthropic. In Nigeria it donates funds to women's groups and supports the disabled, sports and debate teams in schools, bringing the monetary value of its contributions to communities in which it operates *during the past decade* to \$280 million (ExxonMobil, 2009). Given its global status, this figure – of which \$3.2 million was contributed in 2006 and \$8.4 million in 2005 – has been publicly criticized as paltry.

Perhaps because the lynchpin in the company's programmes in social responsiveness has been philanthropy, activities such as social reporting, community engagement and consultation have been minuscule. The company's programmes in Nigeria's Niger Delta region are inadequate and pale in comparison to the region's massive community needs that go far beyond funding school debate teams and donating resources to exclusive social clubs and women's groups; there are bigger issues of a crumbling infrastructure, low food productivity and a scarcity in the supply of drinking water and of electricity.

Shell's social responsiveness

To facilitate communications with its stakeholders and host communities, Shell signed 22 Global Memoranda of Understanding in 2006 and committed \$53 million to various projects in basic services, community health, economic empowerment, human capital development and maintenance of community infrastructure, particularly generating plants. Additionally, Shell provided \$110 million to the Niger Delta Development Commission (a government agency set up to ensure the rapid development of the area). In addition, the company has partnerships with: (a) organizations such as the United Nations Development Programme to use publications to create awareness of community development strategies; (b) the United States Agency for International Development (USAID) in its cassava enterprises initiative; (c) Africare on malaria, HIV/AIDS and other health programmes and facilities; and (d) Globacom Telecommunications on youth empowerment through the provision of phone kiosks to rural and urban users. Under the auspices of those partnerships, it has undertaken 131 projects at a cost of \$53.3 million; 92 such projects were completed in 2005. Their purpose was to strengthen relations with key community stakeholders. The projects included local content initiatives through which the company transferred three oil rigs to indigenous interests. Others supported 89 basic services (such as classrooms, roads, jetties, and water and electricity supplies), implemented 36 economic empowerment projects (for example, microcredit schemes, income-generating projects for young people and women, agriculture and transportation) and four human capital development programmes (such as scholarships and training programmes), and established two community health projects (dealing with malaria and HIV/AIDS). It appears that Shell's best efforts to assuage hard feelings in communities over the company's apparent development lapses are being overshadowed by the absence of: (a) complementary government programmes in those communities; (b) the development initiatives of other oil companies; and (c) the availability of community-grounded programmes, from which residents could benefit. Shell's poor public perception and its publicly besmirched reputation are an albatross for the oil giant.

The industry in which Shell Nigeria operates has been analysed within the context of an interface between government policy and market forces, both of which have major implications for the industry's social responsiveness. Gbadamosi, Kupolokun and Oluleye (2008) made a strong case for fully liberalizing and deregulating the downstream

petroleum sector in Nigeria, arguing that the Nigerian government's earlier control of the storage, distribution and transport infrastructure bred corruption, mismanagement and inefficiency in that sector. Yet, since deregulation in 2003, problems of communication, transparency, poverty, violence, vandalism and inequity are still apparent, raising critical questions about the true value of the industry's social responsiveness, not least that of an oil giant operating in Nigeria, the world's fourth-largest producer of oil.

Pfizer's social responsiveness

Pfizer Nigeria is a leading pharmaceutical organization that operated with relatively little public visibility in Nigeria until the effects of the Trovan drug trial on some Nigerian children in Kano, a northern state, became national news in 1996. The fallout from that trial led to both Nigeria's federal and Kano state governments pressing criminal and civil charges against the pharmaceutical behemoth.

Pfizer's business in Nigeria is in the retail and wholesale trading by which small manufacturing units compound and deliver drugs to consumers. Worldwide, the company operates 70 manufacturing units in 30 countries. This is consistent with the company's mantra: 'It is not acceptable that people should be stranded without healthcare.' However, using proactive communication and building enduring relationship with communities was not one of Pfizer's major strengths. Had it been so, its Trovan controversy would not have morphed quickly into a major crisis that tested the limits of the company's reputation. Pfizer would not have been pushed back on its heels – forced to defend itself from criticism of its failed clinical trial. In essence, then, the company bore the brunt of the complacency exhibited by some multinational corporations that tend to limit their major communications to their annual general meetings and to occasional advertisements of their products. In other words, the company could have used strategic communications to inform and educate its host communities about what it is that it does, why it does it, how it does it and how sensitive it is to the cultural, religious and social nuances of communities. Even though Pfizer insists that its business interests in Nigeria have 'provided significant benefit to some Nigeria's youngest citizens' (Stephens, 2007, p. A10), the legal battle over Trovan seems to contradict this notion. Pfizer further insists that its 1996 Trovan clinical test was conducted in a 'responsible and ethical way consistent with the company's abiding commitment to patient safety' (Stephens, 2007, p. A10). Media reports

and coverage of the crisis were suggestive of the limits of Pfizer's community relations programmes. Regardless of the outcome of the Trovan lawsuit, the seeming absence of consistent (and sustained) communications by the company could determine the implications of the case for the corporate behaviour of multinational enterprises (MNEs) in developing nations. Even though Pfizer has an historical involvement in drug manufacturing, its CSR roles are not well known. Rather, what seem to be widely known are litigation and recriminations about the fallout from a botched trial. Yet, drugs produced by Pfizer have helped to save lives, have strengthened national wellness and have contributed in no small measure to community projects.

Classical ethical theories and global organizational behaviours

Each of the three corporations in this qualitative case study has had its behaviours challenged on both ethical and legal grounds. The British Royal Society, for example, argued that ExxonMobil spread 'inaccurate and misleading' information about climate change and that it had financed interest groups, such as the Competitive Enterprise Institute, the American Enterprise Institute, the International Policy Network and the Center for the Study of Carbon Dioxide and Global Change, to encourage them to misinform the public about the issue (Nocera, 2007; Timmons, 2006). Similarly, the Union of Concerned Scientists accused the company of not taking the threat of global warming more seriously and claimed that it was manipulating public opinion on the seriousness of the threat (Krauss, 2007, 2008).

Shell faced a major international environmental crisis in 1995 when its plan to sink an obsolete oil-storage facility – the Brent Spar – in the North Atlantic ignited the fury of non-governmental organizations (NGOs), particularly Greenpeace, and affronted the world conscience over its planned use of an ocean floor as a dumping ground for industrial waste. The company has also been criticized for its neutrality over the execution of Ken Saro-Wiwa, an anti-oil company social activist. SPDC continues to face ethical and legal challenges in its operations in Nigeria's Niger Delta, where charges have been based on environmental violations and devastation: gas flaring, high-pressure, above-ground pipelines that crisscross prime agricultural land, oil spillage, oil waste and flooding (Eweje, 2006). Victims of oil pollution have filed three lawsuits against Shell Nigeria and Royal Dutch Shell PLC, charging both companies with polluting drinking water and agricultural land (including

fish ponds) in Oruma, a village in Nigeria's Niger Delta. The first of those lawsuits was heard at The Hague in December 2009. Thus, its reputation has been sliding so fast that 'BP Amoco is working hard in Angola to avoid Shell's errant ways in Nigeria' (Ruggie, 2002, p. 35). Both ExxonMobil and Shell, like much of the oil industry, are the target of charges stemming from environmental degradation and human rights abuses (Okeke, 2008).

If both oil companies were acting in accordance with teleological (or consequence-based) ethics, they would evaluate their decisions on at least two grounds: ethical egoism and utilitarianism. Were the companies' actions predicated more on their own self-interest (egoism) or on their desire to promote the best interests of most people, that is, on maximizing stakeholders' happiness or on minimizing their pain (utilitarianism)? On the other hand, to the degree that both companies violated their social trust, it is reasonable to conclude that they defied a sense of duty, that is, adherence to their obligation to society, rules, maxims or principles (all elements of deontology). The companies' actions cannot be justified by Aristotelian ethics by which their actions could be deemed virtuous, that is, exemplifying justice, temperance and courage in promoting societal well-being while avoiding extreme behaviours.

It is plausible that the oil companies were enamoured with ethical relativism, by which the morality of their actions did not blindly follow maxims or moral rules. Protestant theologian Joseph Fletcher (1966) argues that a morally justifiable action does not necessarily follow moral rules blindly but is based on love, sensitivity to situations and the moral sentiments of involved parties. Merrill takes issue with this moral reasoning, arguing that: 'When the matter of ethics is watered down to subjectivism, to situations or contexts, it loses all meaning as ethics' (1990, p. 169).

A key question that arises from the profiles of the social responsibility programmes of the three corporations is whether they apply the same CSR principles in a Third World nation as they do in both Europe and North America, or whether they subscribe to ethical relativism, justifying their actions on geographical and cultural grounds. A case study of the operations of a Canadian oil company in Sudan found that the lack of regulations of Canadian corporations abroad resulted in corporate actions incongruent with Canada's human security agenda (Blackwood, 2004). Yet a criterion of deontological ethics is that an act must be universalized as a measure of its ethicalness. It has been argued that differences in the institutional structures, political legacies and cultures

of Europe and the US affect societal expectations of CSRs and are important in explaining the influence of NGOs in the policy-making process vis-à-vis CSRs (Doh and Guay, 2006). It is therefore plausible that, to a degree, existing legislation and regulatory processes, by which corporate conduct in the developing countries is determined, are primarily toothless. So, MNEs in those countries exhibit behaviours that are antithetical to the Sullivan Principles and to the United Nations Global Compact.

Pfizer Nigeria had been accused of using a meningitis epidemic in 1996 to push through a sloppily conducted drug study that contributed to the death of some and to infirmities in others. Its defence was that it was responding clinically to a meningitis outbreak in Nigeria. According to the charges filed in court, Pfizer made no effort to inform and educate the public, yet insisted that the 1996 Trovan clinical test was conducted in a 'responsible and ethical way consistent with the company's abiding commitment to patient safety' (Stephens, 2007, p. A10). The company could have offered a three-pronged argument: firstly, that its drug caused fewer deaths (five) than those caused by the use of the standard medication; secondly, that it did not knowingly administer an unsafe drug in a clinical trial – in fact, it had cautioned subjects through nurses and clinical technicians that there was a possibility of adverse effects from participating in the trials; and, finally, that the company was largely driven by a morally – and clinically – just cause: to stymie the devastating effects of a spinal disease. To stand idly by was unconscionable and an affront to its guiding principle on healthcare. It was better to attack a scourge than to do absolutely nothing. Drawing upon classical ethical theory, Pfizer adopted a utilitarian perspective: to seek the greatest happiness for the greatest number. But its actions were short on virtue ethics and on the three cardinal tests of deontology: that the moral rule on which it was based should: (a) be universalized, which means it should serve as a guide to every organization's conduct; that is, a standard should be applied that is universally valid and applicable to *all* organizations or doers; (b) treat people as ends in themselves, not as means to an end; and (c) apply voluntarily and autonomously to each organization without its being imposed by the state or by any extra-organizational interests.

On 30 July 2009, Pfizer reached an out-of-court settlement to pay \$75 million to Nigeria's Kano state government. This settlement allocated \$35 million to compensate victims and their families, \$30 million to invest in healthcare initiatives in the state and \$10 million to cover litigation costs incurred by the state. State government officials interpreted

that settlement as the company's admission of culpability and Nigeria's federal government is still seeking about \$6 billion in damages against the company.

Within the context of classical ethical theories, then, and to the degree that all three corporations promote more pleasure than pain (utilitarianism), even as they treat people as means rather than as ends, as in Pfizer's Trovan case (in violation of Kant's categorical imperative), the ethics of their practices raises serious implications for corporate communication geared towards building a corporate reputation of socially sensitive organizations. Similarly, to the degree that both oil companies will be hard-pressed to argue that their pricing practices, by which they accrue large profits, should serve as a guide for everyone's conduct, their corporate communication lacks conformity with deontological ethics. Does Pfizer's 1996 clinical drug trial in Nigeria constitute a breach of ethics, even though the survival rate for children given its experimental drug, Trovan, was higher than that for the control group?

SPDC's communications are too often restricted to official publications (such as annual reports) and rarely go through the various electronic and print media used to communicate the company's socially responsible practices broadly. Similarly, ExxonMobil's socially responsible programmes in Nigeria are limited to awarding scholarships, initiating community projects and offering donations to various causes. And the fact that its activities are mostly offshore, necessitating limited contact with communities, does not justify its failure to build broader relationships that could ensure successful and sustainable business associations and interactions.

Four prescriptions

The failure of all three companies to demonstrate consistently their adherence to the Sullivan Principles and to the United Nations Global Compact suggests four prescriptions, each of which has implications for communication management in MNEs. Firstly, MNEs, particularly in their operations in global environments, need to consider moving from the classic one-way communication model to expanding their communication programmes to emphasizing community participation and relationship-building – that is, encouraging communities to participate as investigators, planners, producers, performers and evaluators.

Such participatory communication has four strengths. Firstly, because it is embedded within locales, it is viewed as an active part of a civil society, enabling communities to participate extensively through

using alternative media in public issues that are at the core of community well-being. Carpentier writes that: 'Alternative media are often part of large civil society networks, and act as meeting points and catalysts for a variety of organizations and movements' (2008, p. 241). Such media can be *the* standard medium for delivering and gathering corporate news.

Secondly, community participation helps MNEs delineate between participation *in* the communication process and participation *through* the communication process. Following Carpentier's assertion on the 'need to distinguish between participation *in* the media and *through* the media' (2008, p. 243), we define community participation *in* the corporate communication process as that which involves the exertion of community power and influence on the whole gamut of communication – from fact-finding to programme evaluation. This means that communities serve as corporate peers in focus groups, indepth interviews and on idea juries and advisory committees; they play vital roles in decision making on how and where programme evaluation will occur and on how results will eventually be used.

Participation *through* the communication process includes how communities, organized or otherwise, 'can communicate their views, represent themselves and enter into deliberations and debates in a series of mediated public spaces' (Carpentier, 2008, p. 243). They can use both mainstream and social-networking media such as Facebook and Twitter.

The third strength is that community participation acknowledges limitations in a process in which communication 'topics are chosen in the same way, by professional communicators, and targeted towards the apparent needs and interests of the audience' (Berrigan, 1979, p. 7).

The fourth strength is that it engenders relationship-building by providing immeasurable opportunities that nurture organization–public relationships and loyalties, both of which have major implications for effective communication management and its effect.

In summary, MNEs are mostly focused on using shop-worn, even though occasionally effective, communication methods in their relationships with communities. But ideally communities need to be continually reassured that corporate interest is indeed synonymous with community interest.

The preceding premise leads logically to the second prescription, which emphasizes the role of territorialized and extra-territorialized movements and organizations in requiring the modification of corporate behaviour, as has been the case in Nigeria's volatile Niger

Delta region. Such organizations and movements promote their vision of socially responsible business practices, take a seat at the negotiation table and begin to have major impacts on corporate management, strategy and governance (Doh and Guay, 2004, 2006; Doh and Teegen, 2002, 2003).

In Nigeria, NGOs and the media have organized themselves into a critical group of activists that persuades MNEs to be transparently responsive to the need of the communities in which they operate. They have accomplished this by using persistent media campaigns, by filing lawsuits and by encouraging similar interest groups to follow in their footsteps through offering awards and recognizing them publicly for their public support of responsible corporate management.

The third prescription is based on the prevalence of weak government legislation and enforcement that should be strengthened to assess punitive and compensatory damages against corporations that refuse to act responsibly. This possibility hinges on the expansion and sustenance of democratic governance in Nigeria and on the increasing realization by the MNEs that business cannot be conducted as usual. There are no specific regulations on CSR in Nigeria. What are found in the statutes are implied laws that seek to ensure that individual rights and freedoms are not violated. Recently, however, the Niger Delta imbroglio made legislation on CSR a compelling option for the country's federal government. Thus, both Nigeria's House of Representatives and the Senate are considering a draft bill on CSR entitled 'A Bill for an Act to Provide for the Establishment of the Corporate Social Responsibility Commission', which will control and regulate the activities of corporate organizations in Nigeria. It defines CSR as 'the obligation of an organization to seek actions that protect and improve the welfare of the society along with its interest' ('A Bill for an Act', n.d.). It seeks to ensure that corporations and companies accomplish the following:

- contribute to economic, social and environmental progress with a view to achieving sustainable development of the affected communities;
- respect the human rights of those affected by their activities in keeping with Nigeria's international *obligations* and commitments;
- encourage local capacity through close cooperation with the local community, including local business interests, as well as appropriately developing links between their corporate activities and the benefit of the communities;

- develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate;
- support and uphold good governance principles and practice, and abstain from any improper involvement in local political activities.

Oversight will be provided by a Governing Board of the Commission, which will create a standard for CSR that is consistent with international standards and will integrate social responsibility into Nigeria's trade policies while respecting World Trade Organization rules.

However, given the present realities, this could be one of the solutions to the present challenges the oil-producing industry faces, because no self-respecting multinational company will wilfully violate the laws of the countries in which it operates.

The fourth prescription, and the least likely to occur, is an internal monitoring, or self-regulation, of corporate behaviour. This has yet to produce tangible results in Nigeria. Granted, global corporations had a good understanding of the interface between an environment conducive to business and its financial health. Therefore, it behooves corporations to explore avenues to project the very best in their practices as they acknowledge consistently the mutual dependence of their corporate interests and of those of their stakeholders.

Hartley (2005) analyses classic ethical violations, identifies paragons of good ethical practices and suggests four pointers for corporate behaviour modification: firstly, he recommends that multinationals eschew a heavy-handed stance in other countries, especially those in the Third World; secondly, being supportive of the host country will be compatible with the long-term interests of MNEs; thirdly, MNEs now have responsibilities as ambassadors of their countries of origin, whose images are affected by corporate practices; and, finally, non-management staff should increasingly resist the questionable standards of higher management. All of these actions can be internally accomplished by realigning corporate and community interests and monitoring them regularly.

Implications for a tentative research agenda for theory building

The Sullivan Principles and the United Nations Global Compact provide the framework for the equitable use of corporate resources in responding adequately to their responsibilities to communities affected by