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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