
Making corporate social responsibility appropriate and effective

Making CSR appropriate and effective

The importance of communication

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The ubiquitous nature of corporate social responsibility (CSR) guarantees that virtually all businesses of today are affected to some degree. Individual responsibilities in each CSR dimension obviously differ and are largely determined by sector type.

CSR and petroleum companies

Scope to cause extensive harm to the environment makes CSR especially critical to industries like oil and gas. To their credit, most petroleum companies take their responsibilities seriously and boast a decent track record with regard to societal and ecological welfare. Any resting on laurels would be a serious mistake though. Considerable room for improvement undoubtedly exists.

Petroleum firms invariably face an assortment of challenges within the areas in which they operate. This is aptly illustrated in the Nenets Autonomous Okrug (NAO) region of the Russian Arctic. In this remote setting, oil and gas accounts for the overwhelming majority of industry activity and is highly important to both regional and national economies.

In the aftermath of the Soviet era, gas and oil firms in NAO were all state-owned. Private enterprises now enjoy a significant presence in the area, while large foreign players are becoming increasingly evident too. It is safe to bet that such companies would not be leaving anytime soon. Even though it is over three decades since oil production first began in NAO, the surface has barely been dented where extraction of this valuable resource is concerned.

Organizations obtain a license from the regional authority to operate in NAO. Terms of licenses will often include certain conditions, making firms obliged to carry out activities to benefit the local community. These requirements can also become more formalized.

One license stipulation is that petroleum companies must ensure that the livelihoods of the native population are safeguarded. Many people in NAO are employed in reindeer herding, often working on land adjacent to that where oil production is taking place. Potential for conflicts of interest to emerge are all too apparent.

Different perceptions and different needs

One recurring concern is that companies fail to engage with different groups to properly ascertain their needs. In particular, non-business stakeholders seem more inclined to get ignored. Hardly the wisest move given that the indigenous population grants firms a “social license” to operate within its community.

First and foremost, petroleum companies must appreciate that communities are not homogeneous. Significant differences typically exist not only between communities but within them as well. It is therefore imperative that any intended CSR projects start by taking the local context into consideration. The focus should then move to specific stakeholder groups.

A survey of the various parties involved in and affected by the oil and gas industry in NAO confirms that perceptions, opinions and expectations in respect of CSR can and do vary somewhat. Representatives of local populations, petroleum firms and regional



and local authorities participated in the survey. Academics and environmental NGOs were also interviewed.

Potential for disagreement is evident in how CSR is perceived. Some regard activities as fulfilling demands made by regional authorities, whereas they are seen as “goodwill” on the firm’s behalf by others. Far removed from that sentiment are those who dismiss CSR as a public relations exercise.

Money is acknowledged as fundamental to CSR and necessary to finance initiatives. But company support and involvement in projects is also highly appreciated. However, differences again surface when it comes to evaluating a firm’s contribution. In certain quarters, it is believed that they could and should do more given their vast wealth. Businesses though seemingly prefer a more limited focus. Such an admission arguably plays into the hands of cynics who accuse petroleum companies of cherry picking projects in order to confine themselves to those which best serve their own interests.

A range of opinion surfaced when it came to what CSR initiatives firms should do to benefit their communities. Top of the list is carrying out improvements to essential public services like housing, drinking water and sanitation to ensure that basic needs were properly met. This is regarded as even more essential in areas remote to Naryan-Mar, the regional capital. Creation of employment opportunities is also on many respondents’ wishlists, while others gave the thumbs-up to sponsorship of cultural events and festivals. At the time of the survey, plans were in place to build a waterpark. Deemed wasteful given the more pressing requirements, this shows what can happen when firm and community are on different wavelengths.

While varied in nature, such projects all relate to the social dimension of CSR and perhaps meet company needs in respect of the narrow focus. This preference is perhaps driven by knowledge that broader initiatives like environmental welfare and human rights would make considerably greater demands in terms of commitment and resources.

Which approach?

To be fair though, petroleum companies do not always have the final say. In NAO, different types of arrangements are in place for CSR activities. Pros and cons are inherent in each. One option is to donate to regional authorities an agreed sum of money that is then used to fund socio-economic development. The firm’s lack of control over how finances are utilized is the issue here. Such concerns are overcome to some extent when the company directly finances projects that have been identified by regional authorities. On occasions, petroleum companies can themselves select the projects.

Flexibility increases further when businesses deal direct with the local population. As well as autonomy over how the money is spent, project performance can also be more closely monitored. However, this arrangement demands more resources and commitment and is thus prone to conflict with the organization’s own agenda. There is also the risk of alienating locals if it is felt that the company is simply imposing its own ideas upon them.

Proper communication can help reduce such risks and better inform petroleum companies about the needs of different stakeholder groups. Organizations should therefore provide opportunities for consultations and take whatever measures necessary to ensure that all parties can participate. Use of focus groups is perhaps another ideal way for those involved to discuss and compare different viewpoints.

Better awareness of the different motivations and requirements can lead to CSR activities being directed more appropriately and enhance their effectiveness. The likelihood of succeeding with macro-level projects can increase too. At present, firms are inadvertently risking conflict as addressing one group can often be to the detriment of another. Such conflict should become less likely to occur once different motivations and requirements are more understood.

Comment

The review is based on: “Arctic petroleum: local CSR perceptions in the Nenets region of Russia” by Julia S.P. Loe, Ilan Kelman, Daniel B. Fjærtoft and Nina Poussenkova, published in *Social Responsibility Journal*. Significant challenges inherent in corporate social responsibility are highlighted in this exploration of petroleum companies operating in the Russian Arctic. Loe *et al.* (2017) point out how different stakeholder groups can have different CSR requirements and why it is critical for firms to focus on the local context in order to meet them.

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Reference

Loe, J.S.P., Kelman, I., Fjærtoft, D.B. and Poussenkova, N. (2017), “Arctic petroleum: local CSR perceptions in the Nenets region of Russia”, *Social Responsibility Journal*, Vol. 13 No. 2, pp. 307-322, doi: 10.1108/SRJ-10-2015-0150.