

## Shell Nigeria's Global Memorandum of Understanding and corporate-community accountability relations: A critical appraisal

### Abstract

**Purpose:** This study seeks to examine whether Shell Nigeria's Global Memorandum of Understanding (GMoU) promotes corporate-community accountability as a basis for fostering sustainable community development in the Niger Delta.

**Design/methodology/approach:** Shell Nigeria's GMoU stand-alone reports were analysed through the lenses of accountability and transparency theoretical frameworks to explore the extent to which GMoU, as a Corporate Social Responsibility (CSR) initiative, is dialogically embedded and practised. Meaning-oriented content analysis was deductively used to isolate pertinent themes and generate findings from the background theoretical literature.

**Findings:** We find that Shell discursively appropriates the meaning of accountability and transparency in a manner that allows it to maintain its social legitimacy and the asymmetric power relations between itself and host communities whilst restricting communities' agency to hold it accountable. Shell does this by interpreting the notion of *participation* restrictively, selectively deploying the concept of *transparency* and *accountability*, and subtly exerting excessive *control* over the GMoU. Thus, the GMoU's potential to contribute to sustainable community development and positive corporate-community relation is unlikely tenable.

**Originality/value:** Accountability and transparency are core and critical to corporate-community relations and for achieving community development CSR objectives, but are often taken for granted or ignored in the CSR literature on the Niger Delta of Nigeria. This paper addresses this gap in the literature by using accountability and transparency lenses to unpick GMoU model and contribute to studies on CSR practices by oil MNCs in developing countries. Indeed, the use of these lenses to explore CSR process offers new insights as to why CSR practices have failed to contribute to sustainable community development despite increased community spending by oil MNCs.

**Keywords:** CSR/GMoU, corporate-community relations, accountability/transparency, Shell, engagement/dialogue, Niger Delta communities.

### 1. Introduction

Corporations possess power to influence the social space (Davis, 1960). This has in part increased demand for accountability and social responsibility, especially in developing economies (Belal *et al.*, 2013; Gray, 2006). It resonates with Davis (1960, 1967) and Gray (2000) who argue that the responsibility of a business should be commensurate with its power and so business should be held to account accordingly. In relation to this power-responsibility argument, there have been normative debates in the past four decades or so on whether the social responsibility of business is to meet the objective of profit maximization for capital providers (Friedman, 1970; Jensen, 2002), or to address society's expectations (Dowling and Pfeffer, 1975) and the needs of multi-stakeholders (Donaldson and Preston, 1995; Freeman, 1984).

These debates have been articulated around the concept of Corporate Social Responsibility (CSR) which has evolved into different areas of interests (Reich, 2008). According to the World Business Council for Sustainable Development, CSR "is the continuing commitment by business to behave ethically and contribute to economic

development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (WBCSD, 1999, p. 3). Several corporations around the world (especially multinational corporations [MNCs]) have embraced CSR practices to varying degrees, whether instrumentally to secure social licence to operate (SLO) or as a strategic business practice (Frynas, 2005; Idemudia, 2014a, 2014b; Slack, 2012). For example, as part of the business-case for CSR, corporations find incentives to engage in stakeholder management. One of the approaches or instruments corporations use to manage their stakeholders, especially their host communities, is the memorandum of understanding (MoU). Corporations in the extractive industries heavily use MoUs as an instrument to maintain their relationship with host communities and foster communities’ participation in addressing corporate impacts on them (see Fidler and Hitch, 2007).

However, the participation of communities in negotiation and dialogue with the MNCs may have several shortcomings. Garvey and Newell (2005) and Newenham-Kahindi (2011), for example, argue that communities do not speak with one voice due to ambiguous and conflicting interests among them. Governments may also undermine the interest of the communities (Neu and Heincke, 2004) by creating corporate-community power imbalance in favour of MNCs (Webie, 2015), and accordingly restricting the available space within which the communities can contest their rights and responsibilities (Newell, 2005). In managing this problem through CSR practices, the MNCs tend to overwhelmingly focus on community development initiatives as a means of managing and responding to community grievances, as well as making them benefit from resource extraction (Eweje, 2007; Frynas, 2005; Idemudia, 2007a; 2011; 2014a; 2014b; Idemudia and Ite, 2006; Ite, 2004, 2007). However, stakeholders’ increasing criticisms of corporations in the extractive industry over the impacts of corporate operations on stakeholders and society, and the perceived inability of CSR to deliver on its promise have engendered a call for a shift from CSR to corporate accountability in the industry (Lauwo and Otusanya, 2014; Utting, 2008). This is because whereas corporate focus on community development initiatives is important, it tends to occlude the equally important need to hold corporations accountable in developing economies, often marred by weak market and governance institutions (Amaeshi *et al.*, 2016; Garvey and Newell, 2005; Newell, 2001).

Unfortunately, many of the extant studies on CSR in the Niger Delta of Nigeria have tended to focus on assessing the outcomes of CSR practices and less on the processes via which CSR seeks to contribute to community development (Idemudia, 2008). Hence, we are still unable to explain why, despite the increase in CSR spending and changes in oil MNCs’ CSR strategies, corporate-community relations remain conflictual (Idemudia, 2010a; Idemudia and Ite, 2006). Consequently, Idemudia (2008) has argued that we need to move from a focus on CSR outcomes (questions of whether CSR is good or bad for community development) to a focus on CSR processes (e.g. questions of accountability, transparency, power relations, etc.) if we are to better understand how and why CSR is (un)able to contribute to community development (see Idemudia, 2014a).

Against this background, this paper critically examines Shell’s[1] GMoU in the Niger Delta via accountability and transparency theoretical frameworks. This is important as it helps to ascertain the extent to which GMoU, theoretically and practically, promotes corporate-community accountability necessary for fostering sustainable community development in Nigeria’s Niger-Delta. The paper continues with an overview of CSR in the Nigerian oil industry, explores the shifting from CSR discourse to corporate accountability before discussing corporate-community agreements in the extractive industry, as well as the emergence of the GMoU strategy in Shell’s community development efforts. It then proceeds to discuss the methodology, findings, and conclusion.

## **2. An overview of CSR in the Nigerian oil industry**

National CSR agenda is often a product of historical and cultural factors (Campbell, 2008; Matten and Moon, 2008), and it often continues to mature according to the prevailing economic and political priorities of the country (Idemudia and Ite, 2006). In Nigeria, the proactive pursuit of CSR initiatives and their implementation as a business strategy is a relatively new and an emerging practice. However, CSR practices appear to have taken a strong root in the Nigerian oil and gas industry (Amao, 2008; Idemudia and Ite, 2006; Ite 2004) given the increase in CSR budgets over time (Aaron, 2011; Akpan, 2006; Frynas, 2005; Idemudia and Ite, 2006; Ite, 2007). The prominence of CSR in the Nigerian oil industry stems from the fact that oil production remains core to the Nigerian economy and the negative social and environmental impacts associated with oil extraction are always at the centre of public scrutiny.

For instance, the environmental degradation, high poverty, and the endemic nature of corporate–community conflict in the Niger Delta region where oil is mainly extracted, bring the oil MNCs into public gaze and scrutiny. Consequently, oil MNCs have had to develop different non-market strategies – often driven by corporate self-interest, the avoidance of negative reputational consequences and the quest for unhindered oil extraction (Aaron, 2011; Frynas 2005) – to respond to both local and international stakeholders’ pressures (Akpan, 2006; Eweje, 2007) and secure SLO (Idemudia and Osanyande, 2016). In contrast, however, Ite (2004; 2007) contends that the MNCs’ pursuit of CSR activities in the Niger Delta is not mainly due to the need to secure/maintain SLO, but also emanates from a commitment to foster community development in the region. Similarly, others have suggested that a key driver of CSR practices in the Niger Delta is the Nigerian government’s failure to embark on community infrastructural development. This, according to many commentators, accounts for why the local communities in the region demand for and expect CSR contribution to community development (Akpan, 2006; 2008; Frynas, 2009; Ite, 2004).

Notwithstanding, Idemudia (2014b) argues that this claim is too simplistic as the drive for greater demand for oil MNCs’ CSR initiatives goes beyond governmental failure, because communities’ demand for CSR is also due to the nature of oil business, the close relationship between oil MNCs and the Nigerian government, and the fact that oil MNCs will leave once oil wells dry up. While Frynas (2005) and Ite (2004) suggest that the CSR initiatives of oil MNCs risk promoting governmental failure as the Nigerian government abandons its developmental responsibility to host communities, findings from Idemudia (2014b) suggest that oil MNCs’ CSR efforts have little or no relationship with governmental community development efforts in the region. Hence, he concludes that the close relationship between oil MNCs and the Nigerian government, and the very nature of oil extraction, tend to better explain why communities expect government-like functions from the companies. Essentially, rather than seeing CSR as a domain of shifting responsibility as Frynas (2005) and Ite (2004) suggest, Idemudia (2014b) suggests that CSR is a domain of stakeholder contestation with negative consequences for community development. From this perspective, it can be argued that oil MNCs have both been victims and benefactors of governmental failure in the Niger Delta (Idemudia, 2010b).

Nonetheless, the problems associated with doing business in Nigeria are well documented (see Economist, 2002). Issues of ethnicity and associated ethnic conflicts, absence of efficient social, economic, political institutions, and widespread corruption, allegedly pose formidable challenges to business in Nigeria (see Idemudia, 2007a). Consequently, Amaeshi *et al.* (2016) and Ite (2004) argued that the enabling environment for CSR is either lacking or yet-to-be developed, and at best, ineffective. This makes CSR practice in the oil industry not only difficult, but also often poor in innovativeness to deal with the unique challenges. Shell’s attempts to clean up oil spills during Rukpokwu spill in

Rivers State of Nigeria were stalled for months because of internal wrangling among communities over who should be awarded the contracts (SPDC, 2003). Consequently, the delayed remediation led to more severe environmental degradation and communities' economic loss, which could have been prevented via early clean-up of the spill. Hence, internal divisions within communities and the associated conflicts in the Niger Delta hinder good CSR practices and limit the positive impacts of CSR initiatives on community development.

Consequently, the debate on CSR practices in the Nigerian oil industry focuses on the relationship between CSR practices and community development. This is premised on the assumption that if oil MNCs can contribute to community development via CSR, it will help to address local grievances, improve community livelihood and promote positive corporate-community relations (Idemudia, 2010a). As such, a number of works have sought to either examine the most effective governance model for implementing CSR or focus on the extent to which CSR has promoted community development. For example, Idemudia (2009a) compares two types of corporate strategy (i.e. corporate-community foundation and In-house corporate-community investment models) adopted by different oil MNCs to contribute to community development and improve corporate legitimacy in the region. These models aim to help oil MNCs secure their SLO, promote positive stakeholder relationship, and contribute to community development. He argued that whilst the corporate-community foundation model is partly community-driven, mediated by development NGOs and allows decision-making to be shared between the company and communities, the investment model is corporate-driven and managed in-house by the company. Therefore, the corporate-community foundation model allows for better communication, improved opportunity to rebuild trust, and a more effective community engagement strategy compared to the in-house corporate-community investment model. Idemudia (2009a) thus concluded that given that two-way communication, trust and effective engagement are vital for community development, the corporate-community foundation is a likely better vehicle for oil MNCs to contribute to community development than the in-house corporate-community investment model.

Similarly, Idemudia (2014c) recently compared the GMoU with the other two models and suggested that the GMoU model and the corporate-community foundation model share some common similarities as both enable some form of community participation in the CSR initiatives. For example, whilst the in-house corporate-community investment model is largely a top-down approach to project design and implementation devoid of community input (Ite, 2004), the GMoU model, like the corporate-community foundation, claims to follow a bottom-up approach. However, Idemudia (2014c) cautioned that each of these models has strengths and weaknesses from a corporate perspective with real implications for stakeholder relationship.

Furthermore, there continues to remain disagreement about the extent to which the CSR initiatives of oil companies have contributed to community development in the region. For example, Akpan (2006; 2008) and Frynas (2005) have both argued that the CSR initiatives of oil MNCs have failed to contribute to community development and in some instances have caused inter- and intra-community conflicts (see also Aaron, 2011; 2012). In contrast, Ite (2005; 2007) suggested that the MNCs' CSR initiatives have actually contributed to community development in the region given the extent of governmental failure. According to him, oil MNCs have continually changed their CSR strategies for improved responsiveness to their host communities. Yet, Lompo and Trani (2013) recently offered a nuanced perspective by arguing that while the CSR initiatives of oil MNCs have contributed to access to basic capabilities like water, electricity and shelter, they have also undermined human development.

Similarly, Renouard and Lado (2012) noted that the CSR activities of oil MNCs have somewhat contributed to the improvement of the material well-being of some of the people living close to oil production sites, accompanied by deteriorated inequalities or ‘relational capabilities.’ This latter position seems to reaffirm the view that while the CSR initiatives of oil MNCs might address their affirmative duties (i.e., doing moral and social good), they fail to address their negative injunction duties (i.e., preventing harm and correcting injuries inflicted) (Idemudia, 2009b). This is consistent with other experiences from elsewhere captured in mainstream CSR discourse. Utting (2007), for example, noted that while CSR initiatives might contribute to the ‘hard’ aspects of social development such as road and school construction or environmental protection, they often fail with regard to the ‘soft’ aspects of development such as empowerment, social justice, fairness and equality (see also Utting and Marques, 2010). Hence, Renouard and Lado, (2012) have concluded that oil MNCs in the Niger Delta need to focus on addressing those exceptional aspects of inequalities for which they are partly responsible.

The foregoing debates have been particularly insightful in highlighting the strengths and limitations of CSR as a vehicle for furthering community development in weak institutional contexts. While Idemudia (2007b) points out that disjuncture in corporate-community worldviews undermines CSR ability to contribute to community development, Frynas (2005) shows how CSR initiatives of oil MNCs are constrained by structural factors that undermine their effectiveness. Similarly, Eweje (2007) attributes the failure of CSR to deliver development to lack of trust between oil MNCs and local communities and the mismatch between corporate CSR rhetoric and CSR practices. However, these works suffer from two major shortcomings. First, in examining the relationship between CSR and community development, most of these works (except Idemudia, 2010b; 2014b) tend to over-emphasize corporate responsibility without a commensurate attention to stakeholder *reciprocal responsibility*. Yet the success or failure of CSR practices to contribute to community development largely depends on corporate responsibility and stakeholder reciprocal responsibility as CSR practices do not occur in a vacuum (Idemudia, 2008; 2010b). Second, since most analyses of CSR-community development relation in the Niger Delta tend to focus on outcomes associated with CSR initiatives and not on the processes via which CSR supposedly contribute to community development, the issue of corporate accountability and its implications for the ability of CSR initiatives to contribute to community development have been largely ignored. Indeed, Garvey and Newell (2005) have noted that mainstream CSR discourse has often paid insufficient attention to the issue of corporate accountability, or the role of power vis-à-vis how the mechanisms of accountability and spaces of community participation in CSR initiatives work in practice. Yet this is particularly problematic given that numerous studies have demonstrated that corporate accountability is necessary if corporations are to contribute to community development (see Newell, 2001; 2008; Utting, 2005; 2008). Consequently, to begin to address this gap, this paper seeks to explore the extent to which transparency and accountability, as well as participation are embedded in Shell’s GMoU strategy for contributing to community development in its host communities.

### **3. Shifting from CSR discourse to corporate accountability**

The disagreements over the extent to which CSR has been able to contribute to community development in the Niger Delta, as highlighted above, have led to the view that the idea of CSR has outlived its usefulness, and that it is time to explore other more useful concepts like corporate accountability. Freeman and Liedtka (1991), in particular, argued that the idea of social responsibility has failed to help create the expected good society, and it has become a hindrance to meaningful conversations about corporations and good life. Hence, it should be abandoned. Corporate accountability, in a managerial sense, refers to issues of

disclosure, auditing and monitoring of business practices, which are also consistent with the traditional preoccupation about “how to keep power under control...how to prevent its abuse, how to subject it to certain procedures and rules of conduct” (Schedler, 1999, p. 13). It can be seen as “an emancipatory concept that can be used to explore the social relationship that exists between MNCs and their stakeholders with emphasis on external effects that relate to developing closer relationship and increasing transparency” (Odoeme, 2013, p. 747). Indeed, Utting and Marques (2010) note that ‘corporate accountability implies moving beyond ad hoc voluntary initiatives, top-down ‘doing gooding’ and very selective forms of stakeholder engagement. Instead it emphasises the need for mechanisms that oblige corporations to answer to various stakeholders, allow victims of corporate bad practices to channel grievances and seek redress, and entail consequences for companies that do not comply with agreed standards’. Central to this understanding of accountability are the concepts of ‘answerability’ and enforceability. While answerability refers to the obligation to provide account for one’s action or inaction, enforceability refers to the mechanisms for realizing answerability and sanctioning its non-fulfillment where necessary (Schedler, 1999). Consequently, Newell (2003) has argued that while answerability has increased as more firms seek to validate their actions to a wide array of stakeholders affected by their activities via corporate reporting and disclosure, mechanisms of enforceability remain either weak or underdeveloped.

Importantly, accountability apparently “conveys an image of transparency and trustworthiness” (Bovens, 2007, p. 448) as transparency suggests the rendering of things visible. Gray (1992, p. 415), for example, argues that:

The development of accountability . . . increases the transparency of organisations. That is it increases the number of things that are made visible, increases the number of ways in which things are made visible, and, in doing so, encourages a greater openness.

Although corporations apparently project a transparent posture, critics allude to the opaqueness of corporate transparency (Garsten and de Montoya, 2008; Roberts, 2009). This is because accountability and transparency are inseparably interwoven (Bovens, 2007). Gray *et al.* (2014) construe accountability as responsibilities to undertake actions and provide account of such actions to those with the rights to know, and a process of holding actors responsible for their actions. Unerman and O’Dwyer (2006, p. 351) argue that accountability provides the “mechanisms through which all those affected by an organisation’s actions can demand an account from the managers of that organisation regarding how and why the organisation has acted in the manner it has.” A corporation’s disclosure of their operational impacts on stakeholders is an essential element of accountability as Zadek (1998) argues for the increasing importance of corporations to not only alter their actions that affect stakeholders but also to report on the related social, ethical and environmental performance to enable stakeholders assess the extent to which the corporations have “listened” and responded to their expectations in practical terms.

However, accountability and transparency are two important concepts contemporary corporations appear to appropriate to lend credibility to their enthusiasm about CSR (Christian Aid, 2004) under different guises ranging from self-imposed responsible business principles to adopted external codes such as the Global Reporting Initiative (GRI). Hence, Gray (2001) argues that accountability is a simple but often misused concept, whilst Bovens (2007) suggests it is generally appealing because it conveys a sense of transparency. Shearer (2002, p. 563) argues that accountability is an “intersubjective relationship whereby one is obligated to demonstrate the reasonableness of one’s actions to those to whom one is accountable.” Accordingly, these intersubjective relationships give these ‘others’ in

accountability relations with the companies the right to define the terms for judging the accountability outcome (Gray *et al.*, 1997; Shearer, 2002). This is consistent with Sinclair's (1995, p. 221) idea that accountability "presupposes agreement about what constitutes an acceptable performance ... (including) the language of justification." Engagement is thus fundamental to the determination of acceptable performance or accountability outcome. It is therefore not surprising that accountability is equally construed as democratically embedded (Archel *et al.*, 2011; Brown and Dillard, 2013a, 2013b; Contrafatto *et al.*, 2015; Gray *et al.*, 2014). This suggests that the democratic nature of accountability is reflected in discourses relating to giving voices to the accountees. For example, Bovens argues that accountability transcends monologue, propaganda or a mere giving of information because it must entrench a mechanism for debate and engagement. However, Adams (2004) and Unerman and Bennett (2004) argue that engagement is not identical to accountability but facilitates a mechanism that promotes it. But as dialogue or engagement is embedded in power relations, meaningful engagement is doubtful when the engaging parties have power asymmetry (Archel *et al.*, 2011; Dillard, 2011; Gray, 2000, 2001; Gray, *et al.*, 1997; Owen *et al.*, 2001; Unerman and Bennett, 2004).

Nevertheless, greater corporate-community engagement is advocated in the extractive industry to promote cordial corporate-community relationship (Gilberthorpe and Banks, 2012), because mutual understanding and trust are vital for peaceful and harmonious corporate-community relationships (Idemudia, 2014a). A truly managed CSR practice that promotes the voices and expectations of the communities will apparently sustain corporate SLO (Slack, 2012). Despite the apparent corporate-community power asymmetry, the Niger Delta communities and oil MNCs in Nigeria consider corporate-community engagement as a (potential) strategy for promoting responsible corporate behaviour and accountability (Egbon, 2014) given that accountability is equally construed as "informed relations of trust" (Dar, 2014, p. 133). An engagement that does not privilege the dominant voice will likely promote CSR practices that incorporate the expectations of beneficiaries negatively impacted by corporate operations. Such engagement is embedded in dialogic logic or action (see Bebbington *et al.*, 2007; Contrafatto *et al.*, 2015).

Engagement drawing on dialogic logic is not oblivious of differences in the worldviews of the various stakeholders but focuses on building informed consensus that obliterate the dominance of each stakeholder's primordial position. As Bebbington *et al.* (2007, p. 364) argue, "both parties commit to a process whereby both expect to learn something of the worldview of the other, both address structural issues that constrain them and collectively they strive to create some better outcome." This suggests that dialogic engagement seeks out and problematises the conflict situation with a view to cooperatively articulate feasible solutions that will not impose the primordial ideology of the dominant group (see Contrafatto *et al.*, 2015). Consequently, Bebbington *et al.* (2007) argue that successful dialogue occurs within open (transparent) processes in which each dialoguing individual is accorded the rights to speak, be heard, and be able to exercise agency. According to Bebbington *et al.* (2007, p. 372),

A focus on stakeholders and their participation in organizational processes may also reflect a more dialogic framing of accountability. This would have two elements to it: dialogic entitlements (for example, information and participation rights) and dialogic institutions (where views can be debated in robust fashion).

In this sense, accountability is about how relationships among multiple actors are negotiated, reproduced and reinforced to create a continually evolving "system of reciprocal rights and obligations" (Dixon *et al.* 2006, p. 407). While some scholars have focused on either 'upward' flow of accountability to 'external' social agent via formal reporting, or

‘downward’ flow of accountability to lower level institutions or groups, others have focused on lateral accountabilities to stakeholders that are situated inside organizational settings (Kemp *et al.*, 2012). This is because in tracking the directionality of accountability, the concept can be seen as an expression of the complex interactions and mutual dependencies between an organization and its multiple stakeholders (Lozano, 2004). Hence, Kemp *et al.* (2012) argued that this approach to accountability can open up discursive spaces that go beyond just verification and auditing, but towards engaging accountability’s dialogic potential for shared reflection and learning. As such, Garvey and Newell (2005) have noted that one of the important elements of accountability within corporate-community relations is the corporation’s adopted approach for beneficiaries’ participation. Essentially, accountability and transparency encourage engagement, trust, giving of voices and information sharing, which are fundamental to cordial corporate-community relations. As such, Idemudia (2009, p. 140) argues that “allowing for accountability and sustainability mechanisms in CSR projects is important in an environment like the Niger Delta where conflict is endemic.” Unfortunately, ‘processes of accountability continue to be obscured within scholarly debates about CSR in the extractive industries’ (Kemp *et al.*, 2012). In that regard, Kemp *et al.* (2012) suggested the need to shift from current conventional auditing culture referred to as ‘new accounting’ towards strengthening operational-level knowledge about accountability as a basis for a better understanding of corporate social performance. This paper seeks to directly respond to this call within the context of the Niger Delta.

#### **4.1 Corporate-community agreements and the extractive industry**

It is evident that resource extraction can produce both negative and positive impacts on local communities (Basu *et al.*, 2015; Kemp *et al.*, 2011; Moffat and Zhang, 2014). However, the positive benefits of resource extraction for communities can easily be eroded by their negative social and environmental impacts, which have historically been the case in most developing countries (Basu *et al.*, 2015). Corporate negative environmental impacts promote criticism from stakeholders and possibly corporate legitimacy crisis (see Botes and Samkin, 2013; Matilal and Höpfl, 2009). As such, O’Faircheallaigh (2013) contends that corporate-community agreements provide opportunities for local communities to shape the conditions of resource extraction on their land and therefore redistribute the balance of power that has traditionally served to undermine their rights and marginalize their developmental priorities. Indeed, company-community agreement is now widely considered to be a practical mechanism for recognizing the rights, needs and priorities of local communities as key ‘*stakeholders*’ that are impacted by resource extraction, for managing the impacts of resource extraction and ensuring that the benefits derived are widely shared (Keenan *et al.*, 2016). In that regard, Memorandum of Understanding (MoUs) between local communities, corporations and government agencies are seen as useful mechanism through which the extractive industries (i.e., mining, oil and gas, and forestry) can contribute to community development, meet regulatory requirements, define stakeholder expectations and mutual obligations and manage non-technical risks (Esteves and Barclay, 2011; Fidler and Hitch, 2007; Baynes *et al.*, 2016). However, the challenge of negotiating and implementing agreement that potentially contributes to community development while also ensuring that risks and impacts associated with resource extraction are successfully managed remains problematic (Keenan *et al.*, 2016).

Nevertheless, corporate-community agreements often take many names, structures and processes (Brereton *et al.*, 2011). For example, varying degrees of MoUs are articulated in the literature using various terminologies such as community development agreement [CDA] (O’Faircheallaigh, 2013; 2015), community benefits agreement [CBA] (Fidler and Hitch, 2007; O’Faircheallaigh, 2013), memorandum of understanding [MoU] (Leke *et al.*,



2014; O’Faircheallaigh, 2015) and global memorandum of understanding [GMOU] (Idemudia and Osayande, 2016), negotiated environmental agreement [NEA] (Noble and Nick, 2011). A review of the literature suggests that CDAs, CBAs, NEAs are partly backed by legal or quasi-legal frameworks and so are usually not only a voluntary corporate initiative (see O’Faircheallaigh, 2015). However, the distinction between the various forms of MoUs appears to be slippery, as only few works have paid particular attention to the differences. For instance, O’Faircheallaigh (2015) argues that CDAs range from legally binding contracts to voluntary MoUs. But many other studies on CDAs apparently take such distinction for granted except O’Faircheallaigh’s (2015) study that clearly stated it focused on legally binding CDAs. At any rate, MoUs could also be contemplated among tiers of governments, which McCrimmon and Fanning (2010) conceptualized as formalised non-binding agreements between parties, which can also be ignored by the consenting parties. MoUs are not legally binding but based on mutual obligation. McCrimmon and Fanning (2010) articulated some critical success factors of MoU such as unambiguous mutual desire to cooperate, negotiated priorities, outcomes upon which to situate accountability, inclusivity, and transfer of financial resources if part of the MoU. Thus, a good MoU stipulates the activities to be carried out and how expectations should be monitored. Integral to MoU signing is the recognition that the parties are partners and would assume leadership role vis-a-vis the MoU subject-matter (Leke *et al.*, 2014). However, it is important to recognize that MoUs are products of negotiation and bargaining between the consenting parties and can be prejudiced by unequal power relations (O’Faircheallaigh, 2013; 2015). As such, the core challenge confronting corporate-community MoUs is that they are often informed by the unequal power relationship that exists between corporations and communities, and thus the limited nature of enforceability mechanisms in such agreements (O’Faircheallaigh, 2013).

Nevertheless, the enforceability of MoU is often predicated on the assumption that corporations now need both legal licence and SLO (Lacey *et al.*, 2012). Indeed, SLO “involves having the acceptance and approval (and perhaps support and consent) of local communities to operate” (Lacey *et al.*, 2012, p. vi). Whereas MoUs or CDAs are formalised written agreements, an SLO is an informal, intangible and unwritten implicit licence (Owen and Kemp, 2013) that is slippery to monitor/measure (Lacey *et al.*, 2012) as what constitutes it is less developed (Moffat and Zhang, 2014). Although SLO is an implicit licence, its absence supposedly produces untoward consequences for corporations especially in the form of a legitimacy crisis that can undermine business operations. SLO is apparently more complex to articulate than MoU in a corporate-community context as the community stakeholders give legitimacy to the latter whereas stakeholders extending beyond the local community give legitimacy to the former (see Esteves and Barclay, 2011; Lacey *et al.*, 2012; Prno and Slocombe, 2012).

An MoU portrays corporate commitment to community development in part, at least, to sustain corporate legitimacy. Consequently, MoU could be construed as a means to gain and/or sustain SLO because working with the communities to meet their expectations and avoid conflicts is central to the process of maintaining SLO (Lacey *et al.*, 2012; Moffat and Zhang, 2014). MNCs are increasingly under pressure from stakeholders to demonstrate their SLO credential (O’Faircheallaigh, 2013), which makes SLO an integral part of stakeholders’ discourses in the extractive industry (O’Faircheallaigh, 2015). As such, it has been argued that corporations mostly use CSR initiatives to gain SLO (Prno and Slocombe, 2012; Ruwhiu and Carter, 2016). Although GMOU, not SLO, is the emphasis of this study, an SLO is apparently strengthened by the adoption of [G]MoU in the Niger Delta context. However, as previously mentioned, an obvious weakness of corporate voluntary initiatives like the GMOU, is the lack of mechanism to enforce performance (O’Faircheallaigh, 2015). This is particularly the case given that oil MNCs can use their discursive power to appropriate the

meaning of SLO and accountability so as to claim reputational benefits while masking the gaps between company and stakeholder expectations (Owen and Kemp, 2013). In contrast, in their study of a poor township in South Africa, McIntyre *et al.* (2015) found that poor communities believed that they have influence over the extension of SLO. Consequently, it is important to examine the process rather than just the outcome of corporate voluntary initiatives such as the GMoU.

The need to assess CSR process via accountability and transparency lens is due partly to corporate-community power asymmetry and the need to better understand its implication for company and stakeholder expectations. Power asymmetry in corporate-community relations and engagement favours corporations (Kemp *et al.*, 2011; O’Faircheallaigh, 2013). Imbalance in power sharing between actors undermines equal sharing of decision-making, authority and responsibility, thus engendering conflicts (Baynes *et al.*, 2016). Good governance is one that devolves power to the community stakeholders to mitigate unequal power relations, to promote equitable control and decision-making. According to Baynes *et al.* (2016, p. 169), “governance itself is more about the power to make, implement and enforce decisions, rather than just the formal arrangements about how decisions are supposed to be made”. Power, dialogue and participation are important in promoting mutual beneficial corporate-community relations and ensuring that CSR projects meet stakeholder expectations (Kemp *et al.*, 2011). With mining companies usually perceived as undermining the voices of community stakeholders (Basu *et al.*, 2015), granting communities voices in corporate matters affecting them engenders cooperation (Moffat and Zhang, 2014). Importantly, accountability-linked strategies such as continual communication, transparent information disclosure to communities and strong CDAs [or MoUs] have been inextricably linked to the strengthening of corporate legitimacy (see Moffat and Zhang, 2014; Owen and Kemp, 2012).

#### **4.2 Shell and community development: the emergence of GMoU strategy**

The nascent stage of CSR development in Nigeria has meant that CSR policies and practices are continually evolving, and as in most other countries, the CSR agenda that companies in Nigeria pursue depends heavily on how the corporation conceptualizes and understands CSR (Idemudia, 2007a). Various corporations constantly seek to tailor their corporate strategy for meeting their CSR obligations to the demands of their business environment by seeking to improve upon shortcomings in previous strategies. A good example is Shell Petroleum Development Company of Nigeria’s (SPDC) CSR initiatives that have gradually evolved from mere Community Assistance (CA) in the 1960s, to Community Development (CD) in the 1990s, and Sustainable Community Development (SCD) in 2004 (see SPDC, 2003; 2004). According to SPDC (2004), this strategic transition from CA to SCD was in part an attempt by the corporation to respond to increasing community pressures for it to do more as well as improve the impact of its CD programmes on host communities. As such, Ite (2007) attributes the changes in SPDC’s CSR strategies to a combination of internal consideration and external pressures.

However, others such as Akpan (2006), Eweje (2007) and Idemudia (2010a, 2009b) attribute the changes to the fact that both the CA and CD strategies often lacked community input in the design and implementation of CSR, which meant that either CSR resources were misallocated or hijacked by a few community elites. Similarly, the poor implementation of CSR projects and their lack of sustainability was also another factor that drove the changes in Shell’s CSR strategy (Draper, 2010; Ite, 2007). Indeed, Ite (2007) suggested that a major problem with Shell’s CSR strategies, which also explains why they failed to produce the desired result, relates to the company’s tendency to take a partial rather than holistic approach to community development. To address these problems, Shell recently turned to corporate-NGO-community partnership called Global Memorandum of Understanding to contribute to

community development in its host communities and secure its SLO (Idemudia and Osanyande, 2016).

Unlike MoUs that are often an agreement between a particular community and a company, a GMoU is an agreement between Shell and a cluster of several communities identified based on local government area, ethnicity and historical affinities. Under the terms of the agreement, Shell provides funding for five years and the communities decide, plan and implement community development projects. In addition, Shell facilitates the capacity building of the GMoUs by providing access to development experts usually their NGO partners to oversee project implementation. The Community Development Board (CDB) is the core governance institution of the GMoU, and it is supposedly embedded in the participating communities via the community trust. The Community Trust (CT) consists of ten persons with at least three women who are usually resident in and trusted within the participating communities. From these ten CT members, each community provides three persons with at least one woman to establish the CDB. Hence, the community trusts are responsible for ensuring that the GMoUs' benefits reach their individual communities via effective representation of their respective communities at the CDB. The CDB is responsible for managing and coordinating the development activities of the GMoU across all the communities in a given cluster.

The CDB consists of all the chairpersons, secretaries and members of the CT, a representative of SPDC, local government, state government, The Niger Delta Development Commission, National Petroleum Investment Management Services and donor community. However, Alfred (2013) has noted that with the exception of SPDC's representatives, the other representatives appear to be uninterested. Nonetheless, each CDB has standing committees for finance and resources management, partnering, communication and capacity building, peace and conflict resolution, and technical matters. Furthermore, the CDBs are entitled to a small percentage of the annual negotiated sum from the GMoU agreement to manage their administrative functions. Finally, the GMoU is underpinned by an Operations Policy and Procedure Guidelines (OPPG) as the CDB becomes the only legitimate interlocutor recognized by SPDC in its engagement with its host communities. As at 2011, SPDC has signed and implemented agreements with twenty-seven clusters that cover two hundred and ninety communities (representing about thirty percent of its host communities) and nine of the twenty-seven CDBs have grown to become registered foundations that receive third party funding (Shell Companies in Nigeria, 2013).

The GMoU initiative cuts across a wide range of areas such as economic empowerment, capacity building and improving the quality of life of host communities. In contrast to the various variants of MoUs in the mining sectors of Canada, Australia, Papua New Guinea articulated largely around socio-economic benefits and environmental impact mitigation, Shell's GMoU does not contemplate addressing environmental concerns. However, in contrast to Shell's CA or CD strategies that were largely top-down, the GMoU appears to be a bottom-up process that gives voice to communities and put them in the driving seat of their own development. In addition, the model claims to be an instrument for effective community engagement based on transparency and accountability. However, Aaron (2012) has argued that while the turn to GMoU by Shell in Nigeria is a radical departure from its previous CSR strategies, the GMoU is still being plagued by old challenges and as such has failed to deliver sustainable development benefits for the Niger Delta people. In contrast, Alfred (2013) commended the success of the GMoU so far. Indeed, based on a participatory stakeholder evaluation, Hoben *et al.* (2012) suggested that despite some weaknesses, the GMoU is contributing to community development in the region. For Idemudia and Osanyande (2016), this disagreement is partly due to the difficulty of measuring the impact of CSR in the Niger Delta, yet it supports our view that debate over the relationship between CSR and

development in the region tends to focus more on the developmental outcomes of CSR rather than the process through which CSR seeks to contribute to development. Consequently, our findings here will contribute to the extant literature on CSR and community development in two ways. First, it would deepen our understanding of CSR and community development relationship by addressing an aspect of the relationship that has so far been under-explored within the context of the Niger Delta. Second, the findings presented here will complement extant works by identifying potential areas of corporate–community agreement that need to be strengthened if CSR initiatives are to deliver on their promise.

## **5. Research design**

The data for this study is generated from Shell's GMoU reports of 2010-2013, which included the first and most recent (as far as we are aware). The GMoU reports were obtained via the internet. Nonetheless, these reports are comparatively similar in content, except that while the 2010 documents referred to the GMoU as a *signed agreement*, the others called it a *written statement*. This change is immaterial and so does not merit any attention here. Corporations use various channels such as newsletter, annual reports, verbal, advertising and public relations brochure to communicate with their stakeholders (Buhr, 1998) with such reports apparently capturing management representation of reality (Bebbington, 1999). The GMoU document is a specialised stand-alone report published by Shell Companies in Nigeria and it is an important document as it focuses solely on Shell's GMoU performance and process.

An interpretive or qualitative content analysis is used to analyse the GMoU texts according to themes that are drawn from the background theoretical review in this study. Belal and Momin (2009), Gray *et al.* (1995), and Tregidga *et al.* (2012), for example, have highlighted the broad use of content analysis (primarily quantitative or form-oriented content analysis) in prior studies in social and environmental accountability research (SEAR), but Milne and Adler (1999) criticised the use of content analysis in SEAR in terms of the reliability of the coding instruments adopted in classifying corporate disclosures. However, Milne and Adler (1999) apparently focus on quantitative rather than qualitative content analysis. As content analysis can be employed as both quantitative and qualitative analytical methods, Smith and Taffler (2000), Merkl-Davis *et al.* (2011) and Vourvachis and Woodward (2015) distinguish between form-oriented (quantitative) and meaning-oriented (qualitative/interpretive/thematic) content analysis. Whilst the form variant focuses on counting of words or other concrete references, the meaning variant analyses themes embedded in the texts being investigated. The form-oriented content analysis has been dominant in social and environmental accountability research.

Some scholars consider critical discourse analysis as a type of meaning-oriented content analysis (see Merkl-Davis *et al.*, 2011; Vourvachis and Woodward, 2015). Meaning-oriented content analysis is also considered by some scholars as thematic analysis (see Marks and Yardley, 2004). Whilst Marks and Yardley (2004) suggest that thematic analysis [or meaning-oriented content analysis] could be deductive or inductive, Vourvachis and Woodward (2015) suggest that it could be deductive, abductive or inductive. Inductive content analysis suggests that the coding of themes is data-driven and abductive content analysis suggests an iterative generation of coding themes by moving forward and backward between data and theoretical concepts. The deductive approach draws from existing theoretical ideas for the purpose of coding. According to Marks and Yardley (2004), such deductively derived themes allow for replicability, extension, or refutation, of prior discoveries. This study adopts this form of meaning-oriented content analysis, which Vourvachis and Woodward (2015) also refer to as semantic analysis and for which the coded categories must reflect the purpose of the research to give validity to the coding.

This study is guided by a coding guide involving issues of *accountability and transparency, community participation, control and ownership of GMOU processes*. Hence, we adopt Gill's (2000) notion of 'sceptical reading', which implies searching for purpose lurking behind the ways something is said or represented. Indeed, Gill (1996) suggests treating the way something is said as being 'a solution to a problem', which informed how we organised our analysis. To overcome potential bias, the authors compared notes afterwards and resolved any disagreements. Evidently, the narratives in the GMoU documents appear to communicate the responsiveness of Shell to stakeholders' criticisms regarding its deficient process of sustainable community development initiatives.[2]. Shell's GMoU disclosures appear to focus attention on key issues on which it, and generally companies in the extractive industries, is/are criticised by stakeholders in resonance with Merkl-Davis *et al.*'s (2013) assertion that CSR communication is acute during periods of controversy or conflict.

## **6. GMoU through corporate accountability lens: analysis and discussion**

For the purpose of this study, we particularly focus on three aspects of the GMoU processes that traditionally have been the basis of criticisms of Shell's CSR initiatives in the Niger Delta, and which the new GMoU strategy supposedly addresses. These issues are community participation in their own development; accountability and transparency between Shell and its host communities, and the control and ownership of GMoU processes to ensure project sustainability (see Akpan, 2006; Frynas, 2005; Idemudia, 2009b; 2007b; Ite, 2007).

### *6.1 GMoU as a participatory dialogic approach to community development*

As the background literature suggests, one of the areas Shell and other oil companies in Nigeria have been criticised vis-à-vis their CSR initiatives involves their unilateral determination of community development projects, which are apparently different to communities' priorities. Consequently, engagement and communication are essential to understanding the needs and priorities of the communities. Shell considers the GMoU as a veritable means of communicating and engaging with the communities by stating that:

They [GMOUs] encourage greater participation and create a more open and transparent way for SPDC to communicate with communities and help support social investment projects (Shell Companies in Nigeria [SCIN hereafter], 2010, p. 1)

Indeed, the GMoU is a departure from the unorganised MoUs with individual communities which appear to create divisions and mutual suspicions among communities. These organised GMoUs appear to reflect local concerns when the choice of community projects are decided and managed by the communities themselves. This might account for why Shell considers it a more robust approach claiming that:

This system [GMOU] replaces the previous approach whereby SPDC agreed to hundreds of separate development projects with individual communities and managed them directly and separately (SCIN, 2013, p. 1).

As such, in order to demonstrate the participatory nature of the GMoUs, Shell states that:

Under the terms of the GMoU, the communities decide the development they want while SPDC on behalf of its joint venture partners provide secure funding for five years ensuring that communities have stable and reliable finances as they undertake the implementation of their community development plan (SCIN, 2011, p. 1)

While there is no doubt that the new GMoU strategy has opened some space for community participation that was lacking in Shell's previous CSR strategy, there is a need to interpret such participation with caution given that corporate-community power asymmetry is often likely to sway corporate-community participatory dialogue toward corporate advantage (Kemp *et al.*, 2011; O'Faircheallaigh, 2013). Besides, meaningful engagement takes place in a dialogic context where the view of a subset or dominant group is not subtly imposed on the other engaging stakeholders. This unfortunately seems not to be the case as Idemudia and Osanyande (2016, p. 9) argue that "while the GMoU is supposedly a bottom-up participatory approach to community development, there continue[s] to remain key structural constraints of the ability of communities to actively participate in their own development and in the governance of corporate-community relations". This is because the boundaries of community participation is set within a particular understanding of the process of development in which oil extraction is central and alternative meanings and pathways to development are foreclosed. In other words, community participation is restricted to how oil funds provided by Shell for community development are to be spent as opposed to the more substantive question of whether oil extraction should continue to be a basis for community development in the face of the negative externalities it has generated. For instance, Faleti (2004) noted that there is often significant anger within communities over environmental degradation associated with dredging, contamination, spills and salt water inflow that negatively impact local livelihoods; but these issues are not incorporated into the scope of the activities covered by the GMoU. The implication therefore is that GMoU promotes a particular form of community participation that is consistent with oil MNCs' interest of continuing oil extraction in the region. Hence, it can be argued that while the GMoU does allow for *community consultation*, it does not yet foster substantive *community participation* in corporate-led community development initiatives.

## 6.2 *Transparency and accountability between communities and oil MNC*

A core driver of corporate-community conflicts in the Niger delta is the lack of trust (Eweje, 2007; Idemudia, 2007b) and the mismanagement/misappropriation of CSR funds meant for community development by a few. Consequently, an emphasis on transparency in the GMoU is particularly important in any efforts to rebuild trust between communities and Shell as well as ensure sustainable community development. Indeed, the extant literature has strongly linked effective engagement or participation to transparency and accountability. Thus, Shell highlights that:

The GMoU represents an important shift in approach, placing emphasis on more transparent and accountable process, regular communication with grassroots, sustainability and conflict prevention (SCIN, 2010, 2011, p. 1)

It also ensures high levels of transparency, inclusiveness and accountability in managing development funds (SCIN, 2013, p. 1)

Shell Sustainability Report (2011, p. 1) also asserts that: "we [Shell] believe transparency in our operations helps build trust". However, we found that the emphasis on transparency and accountability in the GMoU reports was on the activities of, and amongst, the clusters of communities in GMoU, as opposed to the accountability and transparency between Shell and the clusters of communities. In other words, there was an absence of reference to corporate-community transparency and accountability. Hence, while the GMoU for good reasons emphasises issues of transparency and accountability in the activities of the clusters within the GMoU, questions of corporate-community accountability seemed to have been selectively ignored. This position is supported by the fact that in a recent effort to

assess the impact of its GMoU, Shell narrowly and vaguely defined the criteria of transparency and accountability as follows:

This refers to openness to public scrutiny, available, accessible and disclosed information on processes, activities and transactions, and periodic stewardship feedback. It implies the extent to which GMoU processes especially the institution is open to scrutiny and provides information on its activities to its stakeholders (Idemudia and Osanyande, 2016).

The consequence is that while Shell systematically downplays the importance of its accountability obligations to communities and ignores the role of the lack of corporate accountability in corporate-community conflict, it invariably suggests that the lack of transparency and accountability within local communities is responsible for problems associated with community development and corporate-community conflict. This is largely consistent with Gray's (2001) assertion that accountability can be misplaced or misused. In other words, corporations might rhetorically appropriate accountability to maintain the dominant social ideology (see Garsten and de Montoya, 2008; Moneva et al., 2006; Stoney and Winstanley, 2001).

Despite the significant environmental impacts of the oil and gas MNCs in the Niger Delta of Nigeria (UNEP, 2011), we found that Shell's GMoU reports are conspicuously silent on the environmental impacts of the corporation. This silence is an obvious lack of transparency and accountability in relation to environmental sustainability. However, it is not surprising that the GMoU fails to directly address the issue of environmental degradation, which resonates with Hassan and Kouhy's (2015) recent argument that oil MNCs operating in the Niger Delta show weak commitments to environmental accountability. The implication here is that accountability and transparency seem to be interpreted in a very selective and restrictive manner by Shell such that it applies only to the relationship between the communities in a cluster, but not to the relationship between communities and Shell. This perhaps explains why despite increase in community development spending, corporate-community conflict continues to remain endemic. This is because as Idemudia (2009b) argues, no amount of roads, schools or hospitals constructed can compensate for or alleviate environmental degradation or its effects on local communities.

### 6.3 *Governance, control and ownership of CSR initiatives*

A major factor that undermined the ability of Shell's previous CSR strategy to contribute to community development was lack of sense of ownership of CSR process and initiatives by host communities, which often resulted in the poor sustainability of CSR projects (Idemudia, 2009; Ite, 2004; 2007). Indeed, Frynas (2005) and Ite (2004) have suggested that this problem has resulted in the proliferation of a kind of 'dependency mentality' among host communities that has led to more demands being made on oil MNCs. However, Idemudia (2014b) disputes this suggestion that a 'dependency mentality' pervades local communities as empirical data showed that not only were communities aware of their *reciprocal responsibility* but also were willing to undertake such responsibility. Nonetheless, Idemudia (2009b) noted that because of lack of sense of ownership due to the absence of community control over CSR initiatives, communities often lacked both the capacity and interest to maintain such CSR projects as they were seen as Shell's projects. Consequently, the turn to GMoU strategy potentially and partly addressed this problem. Indeed, SPDC notes that:

It [GMoU] brings those communities together with representatives of local and state governments, SPDC and non-profit organisations (development NGOs) in a decision-making committee. These committees – which are not controlled by SPDC – give communities greater control and ownership over their own development. ... (SCIN, 2010, p. 1)

As such, Shell asserts that:

... GMoUs have engendered better ownership and a stronger sense of pride amongst communities as they are responsible for implementing their projects. (SCIN, 2013, p. 1)

Similarly, the nature of inclusivity in the GMoU's governance structure might suggest that communities are likely to be insulated from undue corporate influence. For example, the inclusion of NGOs as capacity builders and the expectation that other actors like NGOs and government representatives will be active within the GMoU should in principle allow communities take control and ownership over the decision-making process concerning their own development. In addition, the GMoU's governance structure appears to weaken accusation against Shell that its CSR creates an opportunistic tendency for community elites to capture CSR benefits at the expense of their communities (see Idemudia, 2010a). With this approach, the community representatives know the amount of money that accrues to their communities and they also exercise control over how such monies are expended. For example, Shell asserts that:

SPDC provides the committee ... with secure funding for five years, ensuring that the communities have stable and reliable finances as they undertake their work. ... Communities identify their own needs, decide how to spend the money, and implement projects by themselves (SCIN, 2010, p. 1)

The significance of the above assertion stems from the fact that in Shell's old CSR strategy, CSR projects were often either poorly implemented or not utilised as they were inconsistent with communities' priorities (Akpan, 2006; Idemudia, 2009b). Hence, it suggests that the incidence of abandonment of CSR projects in communities will be unlikely. Importantly, this again is supported by the fact that communities are given voice to select their projects to match their allocated GMoU funds over a period of time. However, in practice, the extent to which communities exercise control over the GMoU remains debatable. First, as previously noted, while other actors like NGOs and government actors are expected to be full participants in the activities of the GMoU, in reality they are often not active. Similarly, communities have no say over which NGOs Shell nominates to facilitate their capacity building. For example, Shell's and Daper's claims below on the participation of independent development experts in the GMoU process are apparently contradictory:

SPDC also provides access to development experts to oversee project implementation and build the capacity of the CDBs to grow into functional community development foundations (SCIN, 2013, p. 1)

Weak local NGO capacity has led to NGO staff invariably following instructions from SPDC implementation staff. The NGOs are often unable to achieve an equal dialogue with SPDC ... Any perceived opposition to SPDC's interests is dismissed, and NGOs



fear ‘losing their contract’ if they fail to follow SPDC instructions (Draper, 2010, p. 72)

This implies that the countervailing force to Shell’s undue influence over the GMoU is absent in reality. Furthermore, the approval of funding to clusters/communities comes with a stringent but unpublicized conditionality. This undisclosed clause integral to the GMoU is called Freedom-To-Operate (FTO). We understood this through the interactions with some community members and two NGOs that assist Shell in the implementation of its GMoU initiative. This suggests that GMoU is embedded in power relations and ultimately serve as an instrument to further stifle communities’ power to undermine corporate interest. The implication is that communities’ actual control over GMoU is at best limited and not based on corporate-community accountability.

## **6 Conclusion and emerging issues**

There are three main emerging issues. First, it seems that in principle, the GMoU embodies some of the critical success factors for an MOU as suggested by McCrimmon and Fanning (2010), but lacks other core success factors in practice. For example, inclusivity, and transfer of funds, that are key success factors seem to be recognised in the GMoU model. However, the GMoU seems to fall short in the areas of outcomes upon which to situate accountability, negotiated priorities and efforts to prevent the undue influence of Shell over the GMoU due to corporate-community unequal power relationship. Hence, while the GMoU is certainly an improvement over previous CSR strategies, it is still unlikely a panacea for issues related to sustainable community development in the Niger Delta.

Second, The GMoU is at present informed by a *restrictive interpretation of participation*, a *selective application of transparency and accountability*, and *remains squarely under the control* of Shell. Hence, contrary to O’Faircheallaigh’s (2013) suggestion that corporate-community agreement allows for the redistribution of power between corporations and communities, the GMoU seems to consolidate power in the hands of Shell via a strategy of *accommodation by legitimation* (see Hamman and Acutt, 2003) that minimises corporate criticism as well as limits further demands that can be made on Shell. In other words, the changes that Shell has made to its CSR strategy allows the company to project *an image* of being responsive to the demands of external stakeholders without given up control over its corporate-driven community development efforts. Indeed, while changes to its CSR strategies might be seen as an indirect form of *answerability* and the GMoU reports as a direct form, GMoU lacks any measure of enforceability which is a necessity if corporate-community accountability is to be meaningful. As such, the GMoU as a form of corporate-community agreement seems to confirm Garvey and Newell’s (2005) assertion that the mechanisms of enforceability remain either underdeveloped or, in this case, are selectively and deliberately ignored.

Third, for GMoU to fully realise its potential and ensure that increase in CSR spending leads to win-win outcomes for both communities and Shell, then Shell must deliberately promote upward, downward and lateral accountabilities of its GMoUs. This would require Shell to relinquish more control over the GMoU and accept that the absence of total corporate control comes with some risks as well as sustainable benefits. In other words, Shell needs to adopt what Schmitt (2010) has described as ‘open strategizing’, suggesting an open approach to building stakeholder relation in which stakeholders are allowed to collaboratively navigate through a number of diverse and challenging socio-political and ecological issues without following a rigidly structured management plan. Indeed, Schmitt (2010) suggests that Shell successfully used this strategy to manage and implement the Camisea gas project in Peru within a difficult business environment.

## Notes

1. Subsidiary of Royal/Dutch Shell in Nigeria
2. Soobaroyen and Mahadeo (2016), for example, find that companies in Mauritius change disclosures regarding their CSR practices as a reaction to local tensions and government policy in a manner to manage public impression. The uniqueness of Shell's GMoU unlike the CSR context Soobaroyen and Mahadeo allude to is that it is a self-imposed CSR initiative with the rhetoric of promoting community involvement.

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