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Submission: Manuscripts are invited in these areas, typed double-spaced on one side of A4 paper only, and should be between 4,500 and 6,000 words. Manuscripts should be presented as electronic copy in MS Word and sent to the Editor via e-mail.

Abstract: An abstract of not more than 200 words should be presented at the beginning of Page 1.

Author information: To be presented in a cover page, it should show title of article, academic or professional title, university/institution and department of affiliation, and area of specialisation.

Style: Manuscript should be rendered in the APA Manual of Style, 5^{th} Edition. In-text citations are required. References, not bibliographies, should be listed at the end.

Examples:

In-text citations

The media operate within a field of social forces, according to McQuail (2005). He asserts that, "The general notion that mass communication interposes in some way between 'reality' and our perception and knowledge of it refers to a number of specific processes at different levels of analysis" (2005, p. 84).

Numbers

Numbers 1 – 9 are rendered in words; 10 to infinity should be left in figures. Percentages in the text should not be rendered as %, but as percent. However, in tables and parenthesis, they should be rendered as %.

Examples: 10 percent of the population.
25 units (or 10%) of the total.

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Books:

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Journals:

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Awokoya, Lewis (2006, October 15). The recent PDP congresses and democracy. *Sunday Tribune*, p. 16.

The same style should be used for magazines.

Book chapter:

Nwagbara, Grace (2000). Writing for the eye. In Des Wilson (Ed.), *Introduction to print media: Readings in Nigerian journalism* (pp. 33 - 48). Lagos: Stirling-Horden.

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Wellington, Ron (2006). *Heavy metal pollution*. Retrieved November 28, 2006, from http://Web address. If there is no date for the document, use n. d. (for *no date*).

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Relations between Multinationals and Host Communities in Nigeria's Niger Delta: A Stakeholder Perspective

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Abstract

Oil exploration and refining are no longer novelties though the technologies involved may be. Their processes are similar in most countries of the world and are operated mostly by the same multinational companies (MNCs). The host communities even share the same pride of housing such productive and economically viable industry, with high expectations of development. Though the main aim of MNCs is to make profit, this cannot be achieved effectively without a favourable relationship with their host communities. This study examines the relationship between Shell, Chevron and Agip and five host communities (Omoku, Obrikom, Eruemukohwarien, Tisun and Kolokolo) in Nigeria's Niger Delta from the perspective of the stakeholder theory. The findings reveal that Agip enjoyed a better relationship with its host communities than Shell and Chevron. The study recommends that MNCs should elevate their host communities from the diffused publics to the functional publics' status.

Key Words: *Multinational companies, host communities, community relations, stakeholders*

Introduction

It was Milton Friedman who stated that there was no place for social responsibility as a business function. Friedman, a University of Chicago professor, was an American Nobel Laureate economist and a public intellectual whose works are both widely acclaimed and cited. Friedman (1970) asserted that a corporation's only responsibility is to make money and sell products so that people can be hired and paid (Seitel, 2007). The discussions of the social responsibilities of business, according to him, are notable for their analytical looseness and lack of rigour. The idea of business having social responsibilities is meaningless. A corporation exists as an artificial person and in this sense may only have artificial responsibilities.

Friedman pursued this notion by stating that social responsibly is synonymous with acting against the best interest of the business. For instance, a business executive may refrain from increasing the price of products so as to contribute to the social objective of preventing inflation, even though such an increase would be in the best interest of the business. As far as Friedman is concerned, that executive will be spending someone else's money for the sake of general interest. For as long as his "socially responsible" actions reduce returns to stockholders, he is spending their money.

Alexei (2000), in agreement with Friedman's notion, states that one may wonder why firms should be obligated to give something back to those to whom they already routinely give so much. Contrary to the "enslaved" portrayal of employees, they are typically paid wages and benefits by firms in return for their labor. Customers are not stolen from, but are typically delivered with goods and services in return for the revenue they provide; and rather than being guilty of taking a free ride on public provisions, firms typically pay taxes and obey the law.

This argument, however, fails to factor in the dynamic nature of human relationship and the business environment. First, payment of wages and benefits to employees are relative from one firm to another. If all a firm owes its employees are wages and benefits, such employees can constantly search for better opportunities, thereby resulting in a high labour turnover. Second, customers require more than the delivery of goods and services to remain loyal to a firm, particularly in a market where several substitutes abound. In the case of paying taxes and obeying the law in exchange for public provision, no direct contact is made with the public.

There should be a paradigm shift from a transactional relationship to a mutually beneficial one. The major factor that has the potential of retaining employees, maintaining the loyalty of customers and impressing the public is goodwill; and this cannot be achieved through routine activities.

Friedman's notion of the actual role of business, which is to make profit, has fired up arguments back and forth as to whether more should be expected of businesses in the social sphere. Grace and Cohen (2005) argue that a business comprises people who possess views that are both humanistic and naturalistic. The humanistic view, according to them, is that a deteriorating environment and planet is of no relevance in the sustainability of human life let alone business. The naturalistic view, on the other hand, draws a line between the exploitation of natural resources and the destruction of the fauna and floral for profiteering sake.

The view of Grace and Cohen cannot be ignored considering the fact that a business is useless and defunct without the human factor. If, as a result of the activities of a business, the environment deteriorates, in the cases of pollution and poor waste disposal, a business should not just be contented with paying taxes and paying workers their wages and benefits. Decisive steps should be taken to curb the deterioration. Such a step may not seem to be business oriented, but it will definitely pay off eventually since it is preserving the lives of the people from whom the profit will be derived. If, however, such steps are not taken, it may result in unfavourable relationships with the host communities. Therefore, the main objective of this study is to evaluate the host communities' perception of the community relations strategies adopted by the oil companies under study in order to build a favourable stakeholder relationship.

MNCs-Host Communities Relationship in the Context of the Stakeholder Theory

The concept of "stakeholder" was first used in 1963 in an internal memorandum at the Stanford Research Institute in the United States. According to its first usage, stakeholders are groups whose support the organization needs so as to remain in existence. The concept was developed into a theory and championed by Edward Freeman in the 1980s (Freeman & Reed, 1983). By 1983, Freeman and Reed wrote on the comparison between stockholder and stakeholder; Freeman provided more details of the theory in 1984. The theory generally states that a corporation has stakeholders who are generally the groups and individuals that benefit from, or are harmed by, the corporation's actions. The rights of these parties can either be violated or respected by the corporation (Hartman, 2005). The stakeholder theory identifies the groups and individuals relative to a corporation, describes and recommends methods by which the interests of each party can be catered for by the management of the corporation (Freeman & Reed, 1983). The stakeholder theory is one of the classical theories in public relations.

As Philips (2004) observed, the question of who is and who is not a stakeholder has been discussed for years. Some of the questions that appear relevant to a proper conceptualization here are: Should stakeholder status be a reserved right for constituencies having close relationship with the organization? Should the status be seen to apply broadly to all groups that can affect or be affected by the organization? Should activists, competitors, natural environment or even the media be classified as stakeholders? In an attempt to answer these questions, Freeman & Reed (1983) explain that the narrow definition only includes the groups that are vital to the survival and success of the organization, while the wide or broad definition accommodates all groups that can affect or be affected by the actions of the corporation.

Still in an attempt to identify who the stakeholders should be, Dougherty (1992) and Ray (1999) classify them into four groups: enabling publics, functional publics, normative publics and diffused publics. Stephens, Malone & Bailey (2005) explain that enabling publics provide leadership for the organization and also control the resources that allow it to exist and among them are shareholders, regulatory bodies and boards of directors. The functional publics are those who exchange inputs in an organization for outputs, such as the employees, unions, suppliers and customers who provide labour or make use of the organization's products and services. Normative publics are those with shared values or similar problems such as trade unions and professional societies. The last group is referred to as the diffused publics, which emerge when external consequences result from an organization's activities; these include the media, environmentalists, residents, and the community.

In a later work, Freeman, Winks & Parmar (2004) elaborate on their previous work by stating that the stakeholder theory is managerial in nature because it reflects and directs how managers operate, rather than primarily addressing management theorists and economists. From the analytical point of view, a stakeholder approach provides assistance to managers through the promotion of the analysis of how the corporation fits into its larger environment (Mayer, 2008). It also encourages the evaluation of how the standard operating procedures of the corporation affect stakeholders like employees, managers and investors who are within the company, and customers, suppliers and financiers who are outside the company.

Freeman (cited in Mayer, 2008) suggests that managers should fill a "generic stakeholder map" with specific stakeholders. This will help the managers to always keep them in perspective, particularly when making important decisions. He emphasizes that a rational manager will not make a major decision for the organization without first considering its implications on each of the stakeholders. The stakeholder theory posits that every legitimate person or group involved in the activities of a firm is a stakeholder for the sake of benefits, and that the priority interest of every legitimate stakeholder is not self-evident (Furneaux, 2006). According to Donaldo & Preston (1995), the stakeholder theory has the following characteristics:

1. The stakeholder theory is descriptive: it offers a model of the corporation.
2. It is instrumental: it offers a framework for investigating the links

between conventional firm performance and the practice of stakeholder management.

3. It is fundamentally normative: although stakeholder theory possesses the above two characteristics, it is more fundamentally normative. Stakeholders are identified by their interests and all stakeholders are considered to be intrinsically valuable.

It is managerial: it recommends attitudes, structures and practices and requires that simultaneous attention be given to the interest of all legitimate stakeholders.

The existence of an organization depends on its ability to create value and acceptable outcomes for different groups of stakeholders (Jones, 2004). Stakeholders are generally motivated to participate in an organization if the inducements they receive exceed the value of the contributions they are required to make. Different stakeholders use the organization simultaneously to achieve their goals. It is pertinent to note, however, that the viability of the organization and its ability to accomplish its missions of providing goods and services depends mainly on the contributions of its stakeholders.

There are some counterarguments to those of the stakeholder theory, and prominent among them is the stockholder theory, which was popularized by Milton Friedman (1970). This theory actually existed before the stakeholder theory and was, in fact, the argument that led to the reaction that birthed the stakeholder theory; nevertheless, it remains the premise on which critics of the stakeholder theory base their arguments. Contrary to the stakeholder theory, the stockholder theory argues that corporate involvements in philanthropy distorts the market as well as rob the shareholders of their wealth. It insists that the idea of business having social responsibilities is meaningless, because only people can have such. Since a corporation is only an artificial person, it may only have artificial responsibilities.

The shareholder theory projects the separation thesis, which begins by assuming that ethics and economics can be clearly and sharply separated (Freeman, Wicks & Parmar 2004). This view is supported by Sundaram & Inkpen (2004) who observe that governing a corporation requires purposeful activity, and that any purposeful activity has a goal. According to them, the only appropriate goal for modern corporation managers is maximizing shareholder value. Freeman et al. part ways with Sundaram & Inkpen over the latters' single-objective view of the firm which distinguishes the economic from the ethical consequences and values. Their objection is on the ground that it leads to a parochial theory that cannot fully account for the array of human activities.

Freeman et al. offer three main criticisms of Sundaram & Inkpen. First, they insist that the authors misrepresented the stakeholder theory because all views that did not project shareholder maximization were lumped together as part of stakeholder theory. Such views included corporate chartering, unions, consumer interests, care for natural environment, etc. They point out that though the stakeholder theory can be many things, it is wrong to assume that it is everything anti-shareholder. Since shareholders are also stakeholders, bifurcating the world into "shareholder concerns" and "stakeholder concerns" is as illogical as contrasting "apples" and "fruits". According to Freeman et al. (2004, p. 366), Sundaram and Inkpen favour the primacy of shareholder value maximization with a five-point argument:

1. The goal of maximizing shareholder value is pro-stakeholder
2. Maximizing shareholder value creates the appropriate incentives for managers to assume entrepreneurial risks.
3. Having more than one objective function will make governing difficult, if not impossible.
4. It is easier to make shareholders out of stakeholders than vice versa.

In the event of a breach of contract or trust, stakeholders, compared with shareholders, have protection (or can seek remedies) through contracts and the legal system. Their counter arguments are:

The stakeholder theory is decidedly pro-shareholder: values are created for shareholders when they are created for stakeholders. When managers create products and services that customers are willing to buy, when jobs are offered that employees are willing to fill, when relationships are extended that suppliers are eager to have, and when behaving as good citizens of the community, values are being created for shareholders. It is not necessary to posit the two theories as opposed.

The stakeholder theory offers the correct way to think about entrepreneurial risks: According to Venkertaraman (2002), cited in Freeman, Wicks & Parmar (2004), a stakeholder approach enables us to develop a more robust entrepreneurial theory in which the role of entrepreneurial risk is better understood. In practice, as opposed to the world of economic journals, there are often collaborations between managers and stakeholder groups such as customers and suppliers to test new products and services. In fact, customers and suppliers accept some inherent risks in the development of new ideas, products and services.

Having one objective function makes governance and management difficult: having a single function, according to Sundaram & Inkpen (2004), makes the tasks of managers easier simply because it cuts through confusing claims and potential responsibilities accorded managers. The only responsibility of managers is to make money for shareholders. Freeman, Wicks & Parmar (2004), however, insist that though convenient for managers, the view distorts reality and encourages a worldview in which managers exempt themselves from being moral agents who are responsible to a wide array of groups for their actions.

1. **It is easier to make stakeholders out of shareholders:** this point is considered obvious since shareholders are already stakeholders.

Stakeholders have remedies that shareholders do not have: it is erroneous to focus on the derivative suits by shareholders as the only means by which shareholders can be protected. Since the desired condition is for value creation and trade to be self-sustaining, so that parties to the contract can pay the cost of safeguarding that contract, rather than impose it externally on others, the stakeholder approach is the only move of conceptualization.

Lastly, Freeman, Wicks and Parmar close their argument by noting that the impression the shareholder ideologists strive to create is that economic freedom, and therefore, political freedom, are threatened by the stakeholder theory. They insist that this view is fallacious. According to them, "Seeing business as the creation of value for stakeholders and the trading of that value with free consenting adults, is to think about a society where each has freedom compatible with a like liberty for all," (Freeman, Wicks & Parmar, 2004, p. 368). Value creation and trade are complimentary. Hence, the idea of economic and political freedom being separable should be jettisoned.

The stakeholder theory has been applied to several studies. One of the major studies in this category is "Communication with stakeholders during a crisis: Evaluating message strategies," conducted by Stephens, Malone & Baily (2005). The study explores message strategies used by organizations in dealing with crises involving technical details. While applying the theory, the authors explain that the nature of the relationship existing between the stakeholders and the organization is a major factor in shaping the response of stakeholders to pressure. They observe that the purpose of communication during crisis is to influence the perception of the public towards the organization as well as to maintain a positive image among stakeholders. It can also be used to restore the company's image in case it has already been damaged among stakeholders. Stephens, Malone & Baily made use of literature to develop an integrative coding scheme and a parallel set of strategies, which they referred to as technical translation message strategies. Content analysis was adopted for the study and 154 accounts representing 10 different technical crises were analyzed. From the findings of the study, it was suggested that different crisis-message strategies were used in communicating with different stakeholders. It was also discovered that when technical details were discussed, "Organizations rarely go beyond an attempt to directly state the technical facts with little or no explanation provided to the stakeholders" (p. 1).

The stakeholder theory is appropriate for this study because of its managerial nature. It alerts the corporation to the existence of an array of parties that it is responsible to. In the context of this study, this theory helps oil companies in the Niger Delta to become aware of the fact that there are several individuals and groups that are affected by their actions. Prominent among these parties are the host communities. The host communities are considered to be among the most important stakeholders of the oil companies because they are physically connected to the companies.

Stephens, Malone & Bailey (2005) explain that one of the effective ways to describe the behaviour of organizations is to adequately take into consideration the nature of their relationship with their stakeholders. Hence, the stakeholder theory will enable us to describe the behaviour of Shell, Chevron and Agip after we have evaluated the nature of their relationship with their host communities in the Niger Delta. A cordial or not cordial relationship with the Niger Delta communities will, therefore, give us a picture of how well or badly the selected oil companies have behaved.

Stephens, Malone and Bailey also observe that the management of an organization may consider one stakeholder to be inconsequential one day, and the next day realises that the same stakeholder demands its total attention. This is described by Mitchell, Agel & Wood (1997) as stakeholder salience, which they suggest can shift from time to time. The implication of this for our current study is that if the oil companies consider their host communities inconsequential, and thereby failed to give them due attention, the one sided relationship will result into protests and conflicts. This will, in turn, upgrade the communities to become the oil companies' most important stakeholders. Following Stephens, Malone & Bailey's (2005) explanation of the four categories of stakeholders, that the victims may join the functional publics during crises, it can be said that the conflicts in the Niger Delta have engendered the elevation of the communities from the diffused publics of the oil companies to their functional publics.

Stakeholder theory also provides a robust approach to corporate responsibility, unlike the shareholder theory, that parochially considers only the shareholders as worthy of attention. This helps oil companies in the Niger Delta to realize that by creating values for their host communities, they are creating values for their shareholders. This cannot be better emphasized than by the fact that their outputs have been greatly reduced due to the crises in the Niger Delta. If by ignoring their host communities they intended to make more money for their shareholders, it is quite obvious that they have achieved the opposite. The companies definitely have more losses, such as vandalized pipelines and installations, than gains. Again, by using the stakeholder approach, it will be realized that there is no basis for enmity between shareholders and stakeholders, since the former is a part of the latter. Shareholders should work in the interest of stakeholders because there their interests will be protected.

Method

Quantitative research method was adopted for this study. Survey was used because of its attribute of sampling the views of a large number of people on a specific subject and also its capacity to be generalized. The population for this study comprised the indigenes of Eruemukohwarien, Tisun and Kolokolo communities in Delta State and Omoku and Obrikom communities in Rivers State in Nigeria. Shell, Agip and Chevron were selected because of the scale of their operations in the Niger Delta, particularly in the selected states, thereby placing some degree of expectation on them in terms of social responsibility. The sample size was 595, consisting 182 respondents from Eruemukohwarien, 22 from Tisun, 36 from Kolokolo, 283 from Omoku and 72 from Obrikom communities. The respondents were randomly selected.

TABLE 1: Respondents' perception of oil companies' contributions to community development

Company's Contribution to Community Development	Resident oil company		
	Shell	**Agip**	**Chevron**
Yes	6.2%	51.2%	9.2%
Sometimes	78.4	41.4	43.1
No	15.5	7.4	47.7
Total	**100.0%**	**100.0%**	**100.0%**

N = 595

Findings

In assessing strategies for peaceful coexistence with host communities and oil companies' corporate social responsibilities, respondents were asked about their perceptions regarding the companies' development efforts in their communities. By development, we mean the establishment of schools, building of clinics/hospitals, provision of water and other similar social amenities. The finding presented in Table 1 indicates that Agip was perceived to have contributed more to community development than Shell and Chevron. Shell, on the other hand, returned its highest percentage among the respondents who claimed it contributed once in a while to community development. Also, of the three oil companies, the highest percentage of respondents believed that Chevron did not contribute to community development at all. A study conducted by Idemudia (2007) revealed that all the Niger Delta villages surveyed expected development benefits from the oil companies as part of their entitlements as host communities. Failure to deliver such benefits automatically engendered hostility from the communities.

TABLE 2: Respondents' perception of oil companies' positive influence on their communities

Company Positively Influences the Community	Resident oil company		
	Shell	**Agip**	**Chevron**
Strongly Disagree	63.9%	10.7%	49.2%
Disagree	9.3	13.4	9.2
Undecided	14.4	8.0	12.3
Agree	4.1	32.7	16.9
Strongly Agree	8.2	35.1	12.3
Total	**100.0%**	**100.0%**	**100.0%**

N = 595

From Table 2, Agip was perceived to have the greatest influence on its host communities. This means that the company had the ability to favourably affect the communities using its presence to the benefit of its hosts. On the other hand, Shell was perceived as having the least influence on the communities. Though Chevron was in-between Shell and Agip in assessment, a look at the table shows that 58.4% of the respondents had a negative perception of its influence on their communities.

TABLE 3: Respondents' perception of oil companies' fulfillment of promises

Company fulfils promises	Resident oil company		
	Shell	**Agip**	**Chevron**
Strongly Disagree	51.0%	11.9%	53.8%
Disagree	13.4	18.2	29.2
Undecided	14.9	15.8	3.1
Agree	6.7	29.2	6.2
Strongly Agree	13.9	25.0	7.7
Total	**100.0%**	**100.0%**	**100.0%**

N = 595

Table 3 reveals that Agip has maintained its lead among the three companies. It was perceived as having fulfiled its promises by a majority of 54.2%. This result reveals, perhaps, the most valuable factor responsible for Agip's perceived cordial relationship with the communities. The company's readiness to negotiate would have been a waste if it did not fulfil its promises. Chevron was, however, perceived as the least trustworthy, followed by Shell.

Discussion

Over the years, several scholars have emphasized the role of perception in human relationships. According to Perreault & McCarthy (2005), perception is how we gather and interpret information from the world around us. Considering how valuable the perceptions of the relevant publics are to an organization, this study also examines the host communities' overall assessment of the community relations strategies of the oil companies.

The respondents in this study expressed their views on the oil companies' contributions to development in their communities. The findings reveal that of the three oil companies, Agip had the highest rating among the respondents who agreed that it contributed to the development in their communities. Three-quarters of the respondents said Shell sometimes contributed to their development while most of the respondents said Chevron did not contribute at all.

Shell was rated highest by respondents who said that it contributed to community development once in a while. Notwithstanding the strategies adopted by Shell, this finding suggests that the communities have not seen enough of the company's efforts. This may raise the question as to whether or not the communities can ever see enough of the oil companies' efforts. The Agip situation may provide an answer to this, since the perception of the respondents of the company is mostly positive.

The findings in this study also show the respondents' views of the oil companies' influence on their communities. Agip was considered to have had a positive influence on the communities while opposing views were held of Shell and Chevron. Without any doubt, perception is one of the determinants of the success or failure of any organization and the oil companies are no exception. The companies require the goodwill of their significant publics to function effectively. Moon (2001) notes that community perceptions mostly form the basis for community choice to either support or disrupt corporate activities. As can be seen from the discussion so far, a large percentage of the respondents said that Shell failed to positively influence their communities. Chevron too was adjudged not to have influenced the communities positively.

Respondents also assessed oil companies based on their abilities to keep promises. The entire process of stakeholder relationship is based on the ability of both parties to keep to the terms of their agreement. This should be more so for the oil companies because they tend to be the dominant party in the agreement. For Chevron, more than three-quarters of its respondents said the company did not usually keep its promises. Also, more than half of the respondents said Shell never kept to its promises. As for Agip, more than half of the respondents claimed that it usually kept to its promises, which was the highest percentage among the three companies. Generally, it can be concluded that most of the respondents perceived Agip to be far better in keeping promises than Chevron and Shell.

In this study, we set out to describe the behaviour of Shell, Agip and Chevron by taking into consideration the nature of their relationships with their host communities. Consequent on the findings of this study, we see that Agip enjoyed a better relationship with its host communities than Shell and Chevron. We also discover that Chevron was perceived as the least responsible to its stakeholders because of its minimal contribution to community development, less positive influence on the communities and failure to fulfil promises. Based on the perspective of the stakeholder theory which states that the nature of the relationship existing between the stakeholder and the organization is a major factor in shaping the response of stakeholders to pressure, this study concludes that the stakeholders are likely withstand more pressure in relation to Agip than Shell and Chevron. Hence, Agip is likely to enjoy a better stakeholder relationship than the other two companies.

Conclusion

If we reflect on the initial use of the term "stakeholder" in 1963, it will be apparent that the existence of an organization depends on the various groups it interacts with. This implies that without the support of those groups, the organization may slip out of relevance, or at worst, become defunct. Organizations must strive to keep the support of these groups without losing the confidence of their investors.

According to Stephens, Malone & Bailey (2005)'s classification, the host communities of the MNCs belong to the diffused publics which only emerges when external consequences result from the companies' activities. However, the companies ought not to wait until there are conflicts before proper attention is given to the communities. A "withdrawal" of the community would deprive the companies of its location. Hence, the communities should be elevated to the level of functional publics because they actually have inputs in the organization in terms of land, natural resources and goodwill. For these reason, the host communities are entitled to outputs from the MNCs.

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