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Chinese and Norwegian SOEs' Quest for Oil in Angola

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The Influence of Origins

By

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Master thesis with the main profile of International Business

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FOREWORD

When we were the Sick Man of Asia, We were called The Yellow Peril.
When we are billed to be the next Superpower, we are called The Threat.
When we closed our doors, you smuggled drugs to open markets.
When we embrace Free Trade, You blame us for taking away your jobs.
When we were falling apart, You marched in your troops and wanted your fair share.
When we tried to put the broken pieces back together again, Free Tibet, you screamed, It Was an Invasion!
When we tried Communism, you hated us for being Communist.
When we embrace Capitalism, you hate us for being Capitalist
When we had a billion people, You said we were destroying the planet.
When we tried limiting our numbers, You said we abused human rights.
When we were poor, You thought we were dogs.
When we loan you cash, You blame us for your national debts.
When we build our industries, You call us Polluters.
When we sell you goods, You blame us for global warming.
When we buy oil, You call it exploitation and genocide.
When you go to war for oil, You call it liberation.
What do you really want from us? Think hard first, then answer...
Because you only get so many chances.
Enough is Enough, Enough Hypocrisy for This One World.
We want One World, One Dream, and Peace on Earth.
This Big Blue Earth is Big Enough for all of Us.

- *Unknown* -

This poem was the initial inspirations for our research. It made us ask the questions ‘Why is it like this?’ ‘Why is China being blamed for whatever it does?’ leading us to a dialogue, which resulted in us wanting to research the topic in our thesis. The collaboration between East and West had its own challenges, yet it has been an interesting experience for both of us, and most of all has brought us closer together as friends.

We wish to extend our deepest gratitude to our supervisor, Professor Eirik Vatne, for his continuous encouragement, support, feedback, and guidance throughout the writing process. Your words of wisdom were truly helpful.

ABSTRACT

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The concept of Corporate Social Responsibility is currently being both researched extensively as well as receiving increasing attention in the global business environment. Due to the exceptional economic growth in China, Chinese businesses continue to expand their operations internationally to meet the domestic demand for various resources. Since their entry to the global business arena, Chinese practices have received varying levels of criticism and they have been accused of i.e. neo-colonialism on their operations in Africa. The reasons for the differing perceptions on definitions of CSR are argued in this thesis to be a result of origins. National cultures arguably influence the business culture of enterprises, resulting in non-universal interpretations with respect to CSR policies and practices. The thesis addresses the differences in operations of two SOEs – Statoil & Sinopec – through analyses based on academic literature on CSR, stakeholders, different philosophical values of the case cultures, and a collection of secondary data. The research results pointed out that the country of origin indeed plays a role in influencing organizational culture. Further observations also pointed out that the level of development in country of origin influences i.e. the extent to which companies engage in CSR activities. Statoil originating from a wealthy nation is setting high CSR standards to its operations, which can pose an operational challenge for other oil companies from less wealthy nations. Thus, China should further consider redefining its status on publishing information to increase its competitiveness in the global business arena, as their main issue appears to be non-disclosure of information expected by the West.	
Keywords	Norway, China, Angola, Statoil, Sinopec, Sonangol, Corporate Social Responsibility / CSR, State Owned Enterprise / SOE, Oil

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1. Introduction

1.1 Background

Presently in academic debates and business environments, a lot of concepts and definitions have been proposed for a more responsible, ethical, and transparent ways of doing business in the global arena. In recent years, China has showed the greatest economic growth worldwide. Furthermore, China has showed a lot of investment efforts in the past 25 years, and the role of FDI and the interaction between China and the rest of the world has become more important than ever before (Naughton, 2007). These interaction are usually mutually beneficial, however, it can lead to conflicts due to the differences in perspective and values of the decision makers from the Western and Eastern cultures. Conflicts arise in different dimensions of the business practices but recently, more focus is placed around Corporate Social Responsibility (CSR) issues e.g. bribery, hiring and treatment of employees, financial reporting, safety of operations, and environmental responsibility (Donaldson, 1989; Donaldson & Dunfee,1999).

The reasons behind differences regarding CSR concerns are mainly due to the different social and cultural backgrounds across nations (Vitell et al., 1993). All sovereign nations possess their own culture, which affects the way i.e. political and social institutions are formed. Even though neighboring nations may have similar systems, differences are always present when speaking of sovereign nations. These differences in the system – or the multiple institutions within it – are arguably a result of different value systems, be them moral, political, or social. Additionally to these conflicts, questions rise on what CSR is for different enterprises with different cultural backgrounds; as for different nations, a one-size-fits-all –approach to CSR may not be suitable or universally executable (Prietro-Carrón et al, 2006).

The products of the oil and gas industry power the international business processes and the continued globalized economic growth. Therefore, we suggest that it is legitimate to relate the emergence of globalization and the rise of the oil industry, since the oil industry can be argued to play a vital role in the functioning of the global economy. Oil and gas are associated with substantial environmental impact in both the production and usage, since oil production may cause deforestation, degradation and destruction of lands in addition to the general pollution resulting from fossil fuels. However, though fossil fuels are associated with the aforementioned negatives, with the current power sources available they can be argued to be a ‘necessary evil’ to maintain economic development on global scale. Since the extraction of oil and gas are geographically bound, it can only take place in certain areas on the globe. Existing research indicates that the environmental, economical, and social challenges accompany the extraction operation of oil and gas (Tebtebba, 2003; Dahlsrud, 2006). Furthermore, since oil resources largely belong to the states – of which some are developing nations with weak legal institutions and ruled by corrupt Elites – the situation poses increasing challenges to the operating international oil companies. The responsibility of tackling these challenges and providing sustainable solutions has fallen not only on the government, but rather more importantly on the operating enterprises originating mainly from the West.

Corporate Social Responsibility is increasingly applied as a template to evaluate various enterprises worldwide, resulting the American and European oil and gas industry playing a major role in the development of CSR policies. Recently, Chinese oil companies have been criticized for neo-colonialism and not being entirely socially responsible in its oil operations (Tjønneland et al., 2006; Tull, 2006). However, we believe that since most of the CSR theories, policies, and practices originate from the West, this criticism might demonstrate a Western bias. This leads to the reason why this master thesis focuses on the concepts of CSR and the influence it has on Western and Eastern oil enterprises and their operations in countries with weak legal and institutional systems.

1.2 Research Problem

CSR represents the responses enterprises have regarding sustainability; meaning that they plan their operations upon economic growth and simultaneously preserve the environment and its resources for future generations. It indicates how enterprises address the needs and sustainability of different stakeholder groups – i.e. shareholders, employees, local communities hosting the excavation operations, etc. – through adding social, economic, and environmental value (Ghebremariam, 2007). In recent decades, enterprises are not only expected to act responsibly towards negative impacts of their operations, but are further expected to be righteous and act as ethical and moral players in the business community. Especially in the Western world, CSR increasingly influences the way businesses operate and are assessed.

As already mentioned briefly above, China is frequently criticized on its governance and corporate responsibility issues, especially since it has become an active player in the global business arena in recent years (Tjønneland et al., 2006; Tull, 2006). The Chinese foreign policy of ‘non-interference’ is especially discussed in the West – notably in rather negative light. This mainly concerns events and/or practices when Chinese enterprises explore business opportunities, they provide loans, debt cancellations, and aid irrespective of the local political situations (ibid.). However, it should be acknowledged that since China still has a ‘non-separation’ policy of the government and the formerly fully state-owned enterprises, the line between the governmental foreign policies, and the corporations’ policies and operations is vague. With the current non-separation practice, it is fairly obvious that the Chinese oil companies are acting as an instrument of China’s foreign policy. This practice is not, however, indigenous to only China but also practiced by oil companies originating from i.e. the USA; although i.e. the American state and oil companies have a much clearer separation between governmental policy and business operations. The cooperation between various Chinese SOEs and the government, providing or receiving i.e. loans, oil excavation rights, and aid, is sharply conflicting with the traditionally known Western community development concepts. Chinese Enterprises also place a lot of emphasis on infrastructures, which can be argued to be justified due to the lack of infrastructure in the countries of operations and the corporations need for transportation systems. Understandably, China or its SOEs are not the only ones engaging in construction of infrastructure but also oil companies from other nations do the same as it is often a part of the operating license agreements. Furthermore, infrastructure can be viewed as a part of a Greenfield site or a support action for the local government with financial and/or professional assistance in development of i.e. housing or schools needed to support the employees and their families around the oil operations. However, due to lack of coordination with other stakeholders, e.g. the local community, Chinese SOEs have been criticized for the ineffectiveness of including local partners and thereby the assistance for development because they mainly contract Chinese construction companies. (Tjønneland et al., 2006; Tull, 2006)

On the other hand, Africa continues to constitute of inferior states even after years of Western aid, influences, and community development. Recently, African governments have been accepting loans and investments from China while Chinese enterprises are searching for new opportunities with business, natural resources, and markets to meet the needs for energy and other resources in China. China continues to be criticized by the West for a number of reasons i.e. China’s support of African states with questionable human rights records, providing financial aid in order to obtain natural resources, and development projects being contracted only to Chinese contractors resulting in majority of the aid money flowing back to China. In our opinion, this criticism towards China is unjustified as many Western countries also include clauses in financial support and aid terms of contract, that certain amount of goods or services are to be contracted to enterprises from the country providing the aid. (Tull, 2006)

In the light of this discussion, this thesis will focus specifically on the aspect of Corporate Social Responsibility; how CSR policies are implemented and how they influence business behavior in different enterprise systems. Our intention is to compare two state-owned companies, one from the West and one from the East respectively, to examine the concept of CSR and its presence in the operations of both enterprises in the same business environment, Africa.

1.2.1 Research Objectives & Research Question

The thesis' research objective is to gain better understandings on how the country of origin and its culture affect the perceptions and engagement in CSR.

Investigating the world of international business, cultural differences play a vital role that strongly impacts attitudes and behavior towards ethics and social values. Enterprises have their own founding places with cultural heritage, which manifests in different attitudes towards interpretations of CSR throughout the organization (Bartlett & Ghoshal, 1993). Therefore, it can be argued that only a few international companies are truly international, but rather bound to the culture of their country of origin. This is likely to contribute to the varying expectations from various parties towards different enterprises with different cultural background in the same field of operations. This thesis will focus specifically on the oil industry in Angola and two case enterprises – Statoil ASA and Sinopec representing Western and Eastern business cultures respectively. The reason for choosing Angola for the case is based on both companies having operations there along with considerable amounts of Western criticism on the Angolan government and the extent to which Chinese SOEs go to meet their own needs for resources.

The research question we seek to answer with our research is:

> *To what extent does an enterprise's country of origin influence its attitude and engagement towards Corporate Social Responsibility in environments with weaker legal and institutional governance?*

1.3 Structure

The thesis will begin with an extensive Literature Review. We will cover CSR from its origins and broader concepts to more detailed and specific theories within the field, i.e. Micro- and Macro CSR, Stakeholder Theory, and Learning Stages. Additionally, we will present summaries of Western and Eastern ethics and philosophies respectively, followed by a comparison.

The Methodology chapter will introduce the employed research methods and justify reasons why we have chosen to employ secondary data qualitative analysis in constructing our Data Analyses. In the more pragmatic chapter – Data Analyses – we will present our findings on: (1) the international oil business in a generic level, (2) provide background on the conditions in Africa and Angola along with (3) a brief analytical comparison to Chinese and Norwegian cultural dimensions. After providing this information, we will propose our Stakeholder Hypothesis on which stakeholders we consider the two case companies should take into consideration in their operations in accordance with Mitchell et al.'s (1997) Stakeholder Salience –model. Following our Stakeholder Hypothesis, we will thoroughly present the two oil companies and include an analysis as we proceed to different dimensions in their policies, operations, and state relations. Additionally, since both of the oil companies are majority state owned – and other Chinese SOEs are connected to Sinopec's operations – we will also include the states' involvement in Angola. The Analyses will end in revisiting and re-evaluating our proposed Stakeholder Hypothesis.

Lastly, we will conclude our research and propose direction for future research.

2. Literature review

2.1 Corporate Social Responsibility

Rapid globalization has increased both practical and theoretical demand for Corporate Social Responsibility (CSR), emphasizing aspects i.e. climate change, community health, education, development, and sustainability, when planning and operating in business (Andvik & Vodahl, 2011). Engaging in various CSR activities both in Macro- and Micro-levels, publishing sustainability reports, and partnering up with Non-Governmental Organizations (NGOs) are merely examples of the complexity of engagements in CSR.

Within the following, the theory involved with this complex concept will be presented from the view of the thesis research motives. Firstly, a general introduction to CSR is presented, including differing theories on what the concept constitutes of. Secondly, the connection between Institutional Economics – or more precisely the development of Institutional Regulations – and CSR is presented to offer an idea why the standards differ from one country to another. Under this section, the implications of Sophisticated Capitalism and CSR are also brought up. Thirdly, the concept of Stakeholder Theory is presented and further analyzed through Stakeholder Salience –model and Communication Strategies. Fourth part of CSR theory will present the Learning Stages within CSR development to offer an explanation to how and why development occurs.

2.1.1 Introduction to CSR

Presently, there is no common agreement on the definition of CSR (in Blowfield & Murray, 2008). The spectrum of CSR theory ranges from *forming operational policies* based on ethical behavior to *engaging* in philanthropic construction of the community, and from taking into consideration only responsibility towards shareholder and their return on investment to considering the needs of future generations and environment. Due to the increasing availability on CSR theory, it can be assumed that there is great need for engagement and reporting by corporations. Within this section, the development of the CSR concept is presented from its historical point of view between early 20th and 21st centuries. After reaching a more recently agreed upon definition, the hierarchy of CSR actions is presented to lead on to the next section.

The origins of CSR date back to as early as 1916, when Clark emphasized the importance of transparency in business conduct by stating: *“if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these* *have been recognized by law or not" (Clark, 1916:223).* Over the years the topic has developed towards a focus on the social dimensions of the corporations' responsibilities in addition to their economic responsibilities and the preservation of freedoms, argued by Ducker (1942).

Bowen (1953) was the first to define the concept of CSR (Blowfield & Murray, 2008). His (1953: 6) definition was: *"the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."* During his time period, corporations' social obligations were linked to the influence and power businesses held in the society. The development of CSR since its origin up to Bowen takes society and corporations responsibilities into consideration rather extensively in addition to pursuing the ultimate goal of businesses – profits. However, Milton Friedman (1970) argued that the sole responsibility of corporations was to maximize shareholders profits. This argument takes the definition of corporation's responsibility outside the social context, largely excluding any actions not defined as legal obligations. Friedman's argument is today known as the *neo-classical view* in which *"the only social responsibilities to be adopted by business are the provisions of employment and payment of taxes."* (Moir, 2001: 17).

Presently, the definitions of CSR are not restricted to those of Friedman and Moir. The World Business Council for Sustainable Development employs the following definition in "Making Good Business Sense" by Holme & Watts (2000: 8): "*[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."* This definition is more in line with Freeman's (note: not Friedman) definition from 1984, which included *all stakeholders* affected by a corporations operations within its sphere of social responsibility. Freeman's definition of CSR appears rational and justified since it includes all stakeholders within the effects of a corporation and not only shareholders, which have a financial claim towards the corporation's (1984). Furthermore, there are scholars such as Zsolnai (2006) that take the concept of stakeholders even further by emphasizing the importance of natural ecosystems and future generations as stakeholders.

We feel that the discussion on CSR has developed from an academic discussion more towards a 'license to operate' phenomenon largely due to legal institutions differing between nations. Furthermore, CSR has become an integral part of IOCs on their policies and operations, and also reporting it is regarded as a common practice, first in their Annual Reports and later also in specific Sustainability Reports, although motives can be questioned on whether they are based on altruism, industry standards, and/or Green washing. We generally agree with the different aforementioned definitions of CSR. However, since we believe corporations to be legal persons with similar obligations to those of independent citizens – do no harm onto others – Freeman's definition of narrowing down CSR into obligations towards shareholders and merely acting within the legal framework is only functional with proper legislation in place to guarantee sustainability and the wellbeing of the society both presently and for future generations. For example in the USA, there is wide opposition towards government interfering in corporations operations through legislation, dictating how they should conduct business. Therefore, including both natural ecosystems and future generations as stakeholders within legislation can be argued to be important to better define how corporations are allowed to operate if corporations do not feel responsible for these stakeholders themselves. We will return further on the importance of legal institutions within the Institutional Economics section.

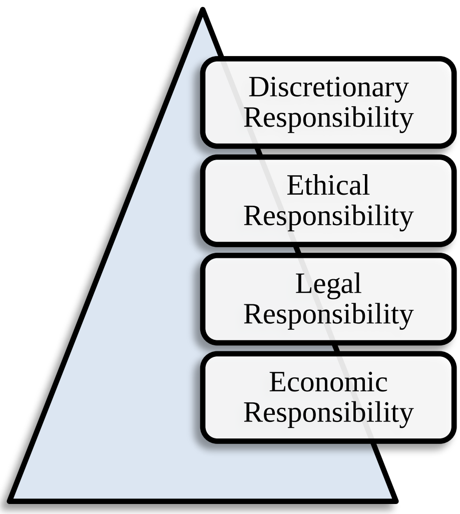
Due to the topic of this thesis on oil companies operations in a developing country, it will be seen later – along with a more detailed presentation of Stakeholder Theory – which stakeholders should be considered the most by the case companies, Statoil and Sinopec.

Prior to moving on to the effects of regulatory regimes in CSR, the different levels of CSR engagement are presented, to enable further understanding of the theory. One of the most cited scholars in this field is Carroll, who developed his framework for understanding the different aspects of CSR (Carroll, 1979). Carroll's (1991) research is illustrated in Figure 1, presenting the four main levels of responsibilities concerning operations: (1) economic, (2) legal, (3) ethical, and (4) discretionary. The *first level* of the pyramid suggests that corporations have a merely economic responsibility towards the society: to profit, to grow, and to prosper. The *second level* includes the goal of the first level, but restricts the corporations' actions within the regulations according to the rules and laws of the national jurisdiction of operations. The *third level* of responsibility exceeds the legal requirements of the second level. This level is more linked to social and ethical norms, and it is in this level that the expectations of various stakeholders are most often met. This is due to the fact that even though the needs are not specified in legislation, they are met due to the corporations either considering the actions to be the 'right-thing-to-do', or expected of them (industry standard). We would argue that the need to improve reputation through appearing to act responsible (Green washing) does not belong to the third level of the framework even though it would first appear so, since the motivation behind the actions along with the fact that the corporations merely want to appear as ethical, is in fact not ethical. The *fourth level* – also known as *'Philanthropic Responsibility'* (Jamali, 2008) – consists of philanthropic and voluntary actions of corporations.

This last level of Carroll's (1991) framework is the one truly altruistic, though some of the actions performed at the third level can have altruistic characteristics.

Guldbrandsen & Moe's (2005) argument, regarding the extent at which international oil companies (IOC's) exceed the core operational requirements – by increasingly engaging in social projects – would place IOCs between the third and fourth level on Carroll's (1999) hierarchy. However, Zinkin (2004) argues that these engagements by the IOC's often represent a new standard of (unwritten-) contract for 'license to operate,' which would then place the actions closer to the second level of the pyramid since even the unwritten 'rules' can be interpreted as legal responsibilities.

Figure 1: Levels of CSR



Source: Carroll, 1999

Within the hierarchy presented above, the Economic Responsibilities can be seen as a universal concept. However, due to differing legislations the Legal Responsibilities of corporations can vary on a rather broad scale. Therefore, the next section will present the connection between Institutional Economics and CSR, to further explain the variation of Legal Responsibilities based on the existence of regulatory regimes and the levels of regulations.

2.1.2 Institutional Economics Influence on CSR

"The concept of CSR is constantly changing as society itself evolves, affecting our expectations of business and the ways in which its relationship with society is handled."

Blowfield & Murray, 2008:19

This section will look into the quote from Blowfield & Murray through the theory of Institutional Economics. The goal is to characterize why and why not corporations engage in CSR and further explain why the level of engagement differs. Campbell argues that "*the relationship between basic economic conditions and corporate behavior is mediated by several institutional conditions"* (2007: 946) i.e. public and private regulation, presence of NGO's and other independent organizations monitoring corporate behavior, and associative behavior among corporations. The central idea relating to this section is that the more extensive regulations are present, the less need there is for the two higher levels of CSR engagement – i.e. Ethical and Discretionary Responsibilities.

Campbell (ibid.) notes that in the absence of regulations, corporations have the possibility to act opportunistically – mainly driven by self-interest – on the expense of others. Provided examples include: (1) deceiving customers, (2) exploiting and brutalizing employees, (3) poisoning the environment, and (4) cheating governments, yet he points out that many corporations choose the opposite – a more ethical path including charities, community support, fair treatment of employees, and standards of honesty and integrity. Furthermore, it is pointed out that these engagements largely depend on the surrounding institutional conditions of operations. (ibid.)

The power of institutional economics is well reflected, in our opinion, in Friedman's (1970) definition of CSR. Since Friedman restricts CSR on merely maximizing the shareholder's value, emphasizing on the independence of corporation's operations from social action outside of governmental regulations. Therefore, the above mentioned examples of how corporations can exploit lack of or inadequacy of legal institutions in less developed countries would be justified under Friedman's CSR definition. However, this opportunistic behavior – though possibly financially profitable – can have negative effect on the corporations' reputation, which could in turn hurt their financial performance. A possible solution to this problem could be to agree that corporations need to follow the regulations of the nation with a more sophisticated legislation, yet we feel the solution is not that simple but that perhaps there is an increasing need for international legislation to combat the opportunistic behavior on a global scale. Understandably, this solution would not please everyone and its design and implementation could be extremely difficult; although admittedly, balancing between different nations legal systems is already challenging.

In the absence of such sophisticated regulatory regimes, corporations can choose to support surrounding society through more direct philanthropic activities, i.e. building school in the community, constructing infrastructure, etc. Campbell argues that increased globalism has enabled corporations to *"move investments and production from one regulatory regime to another"* (2007: 954) which in turn is argued to result in a situation where national governments relax their regulations to try to preserve business within its jurisdiction in fear of losing *"local investments, production, jobs, and tax revenues."* (*ibid.)* Furthermore, it can be argued that corporations' engagements in CSR in less regulated environments can have a negative effect on government motivations to fulfill its responsibilities towards its citizens by refraining from developing i.e. legislation or taxation to improve governmental programs such as infrastructure, schooling, or healthcare.

Furthermore, Campbell (2007) notes that establishing a regulatory system is not always the sole responsibility of governments. According to him, corporations within an industry can set their own regulatory systems – an alternative approach to our aforementioned international legislation. In fact, this sort of corporate peer pressure can, according to Martin et al. (2003: 98), be *"the most effective means of facilitating increased CSR."* Moreover, pressure from NGO's i.e. the UN, Transparency International, Amnesty International, Greenpeace etc. can influence the behavior of corporations and the formation of regulatory frameworks either directly or through influencing the public and in that way increasing demand for change.

From the perspectives of Sophisticated Capitalism and CSR, it should be noted that *"the cognitive frames, mindsets, conceptions of control, or world views of corporate managers are important determinants how managers run their firms. ... Managers often learn these mental constructs by absorbing messages that are transmitted to them at business schools."* (Campbell, 2007: 958) This statement provides an idea of how slow the process of change is within the institutional framework. The actual change of organizations can be argued to begin from first changing mindsets. Moreover, the core ideas of capitalism – which according to some interpretations contains little state regulation, i.e. Laissez-Faire system, largely promoted by Friedman (1970) – leads to questioning over the strengths and weaknesses of self-regulated markets and how corporations should really incorporate CSR into their actions (Blowfield & Murray, 2008). When the institutional regulations – i.e. various tax regimes – increase in the country of origin, yet not in other countries, corporations are incentivized to relocate operations to less developed countries with less protective regulations to reap higher profits (ibid.). Though engaging in CSR in the name of social welfare is against Friedman's ideology of responsibilities towards stakeholder, through the increasing public awareness and demand for responsible behavior, corporations are often expected to invest in social projects in addition to their business operations. We will return to the philosophy of capitalism, and Laissez-Faire vs. Sophisticated Capitalism more deeply within the Western Ethics section under Political Philosophies.

Since we have already mentioned taxes as an example of governmental regulations, we will briefly introduce its relevance to our thesis topic. Taxation is an important legal and economic institutional regulation on property rights because it can affect the extent of CSR engagement in the society – especially if charitable contributions are tax deductible – as well as affect choosing countries of operations (Campbell, 2007). The reasoning behind this argument is that the tax laws in i.e. Nordic countries are designed to tax corporations more extensively to enable the government to allocate the funds towards various activities i.e. social security, health care, etc. Another example is the treatment of internal stakeholders – the employees – which is rather well protected by law in most Western nations by extensive labor laws and strong unions. Mistreatment of employees will lead to legal consequences and the power of the employees over the industry can be rather extensive through well-established labor unions. Thus, in the presence of more developed regulatory regimes, corporations arguably fulfill their social responsibility through established rules and any further engagement will be more discretionary, on the highest level of the CSR hierarchy (Carroll, 1991). Less taxing nations might therefore be more appealing to companies to increase their net profits (after taxes).

Due to the nature and extent of our thesis, we will not provide a thorough presentation on the various laws related to conducting business in Angola, China, or Norway. In order to do this adequately, we would need to have background in law studies to be able to interpret legal language correctly. However, based on the general overview on Institutional Economics and its influence on regulatory regimes, we would conclude that it is challenging to directly compare nations with one another due to their sometimes extensive differences.

The following parts will explain the differences and connections of Macro and Micro CSR, and presenting the theories of Stakeholder Salience and Power-Interest. Following the more academic theories, the more cultural dependent aspects characterizing CSR are presented. We will describe the cultural and ethical discrepancies between the Western and Eastern worlds.

2.1.3 Macro & Micro CSR

The following section will delve into the concepts of Corporate Social Responsibility in both Macro and Micro perspectives. The first part – Macro CSR – will introduce practices on a more generic, companywide level. The second part – Micro CSR – will focus on the theory related to the practices done on a local scale within the communities directly affected by a corporation's CSR efforts. Following that we will provide a comparison between the two concepts.

2.1.3.1 Macro CSR

Within our research context Macro CSR refers, among others, to the *"indirect consequences of sudden and steep rises in revenues from extractive industries"* for the host country and the related society (Gulbrandsen & Moe, 2005; Skjærseth et al, 2004:16). Some of the examples include the human rights controversies arising from the relation of oil revenues, corruption and poverty (Skjærseth & Skodvin, 2003). There are discussions of whether IOCs should take responsibility to assure that the oil revenues originating from its operations, also benefits the local society in return. Although the use of revenues in the hand of national or local governments is not a legitimate concern for the IOCs themselves, in many cases, a poorly governed state or province would result in problems that directly concern the IOCs such as high corruption level or widespread social problems. In the oil industry, Macro CSR can often be achieved by the promotion of transparency of payments from the IOC to the related parties, such as the subcontractors and governmental offices, by good accountability and governance, anti-corruption campaigns, or promoting human rights and democratic development (Haufler 2004). Good macro CSR practices can provide long-term benefits for the IOCs by obtaining reliable information from the authorities, decreasing transaction costs and an increasing degree of certainty regarding the future (Cutler et al., 1999).

From the Macro perspective, being resource-abundant can lead to both beneficial and unfavorable situation. As seen in Norway, the country has used the resources of oil revenue to benefit the society as a whole, and has achieved the highest place on the United Nations Human Development Index (UNDP, 2011). On the other hand, although Angola is also a resource-abundant country, it is yet among the last ones in the index (146/169). This phenomenon in Angola is referred to as the 'paradox of plenty' (Karl, 1997) or the 'resource curse' (Auty, 1993; Ross, 1999), since while a number of studies have indicated that resource-abundant developing countries have performed notably worse in terms of GDP than resource-poor countries. According to Karl (1997), the reasons behind the curse may include the over-reliance on exports of oil, excessive borrowing, revenue volatility due to oil price and corruption. It is vitally important to observe that the oil revenues do not reduce growth in themselves, but rather it is the economic and political situations that shape how the revenues are being consumed does (ibid.). Since the resource curse has both economic and political causes and impacts, oil companies that engage in Macro CSR should address both of these issues. International organizations and efforts such as the "OECD Convention on Combating Bribery of Foreign Public Officials" or the World Bank with its "Extractive Industries Transparency Initiative" (EITI) both provide assistance in dealing with the transparency and accountability in these oil abundant countries. Another example of Macro CSR guideline is the United Nation Doctrine of Human Right, although the connection is arguably loose with the doctrine being more connected to ethical values and norms rather than business practices.

2.1.3.2 Micro CSR

Micro CSR contains the aspects of companies CSR efforts that are closer to the public in relation to operational location. Guldbrandsen & Moe (2005) point out that the activities of IOCs that have exceeded the core operational requirements by increasingly engaging in social projects can be referred to as Micro CSR engagements. Zinkin (2004) characterizes these engagements as a new 'license to operate,' meaning that the companies are legally contracted and/or socially expected to engage in activities which benefit locals.

In developed countries, engagement with the local community – i.e. the site of operations and/or neighborhood housing the workforce – is often in the forms of sponsorships for i.e. cultural institutes or science. However, in developing countries the needs of the people are closer to basic needs: supplying basic services such as schools, hospitals, clean water, etc. The idea would be to supplement the policies of local governments, and yet not interfere with them. The ideal target of the Micro CSR projects are then the local communities in the area of a company's operations. However, they can also take place on a national scale (Guldbrandsen & Moe, 2005), which makes it problematic to distinguish between Macro and Micro CSR.

The nature of the projects on the Micro level, can however be simplified to deal with *"benign issues… win-win projects, dually benefitting both companies' reputation and community development."* (Guldbrandsen & Moe, 2005:55). The reason given for the engagement into community projects is to improve corporate reputation and to create goodwill among the locals, not only society, but also authorities. On a larger spectrum MNCs and IOCs also face pressure from various international organizations (i.e. humanitarian, non-profit, non-governmental organizations (NGOs) etc.) in aspects such as transparency, corporate governance and human rights (Haufler, 2004).

The reason behind this may lie in the concept 'paradox-of-plenty' which according to Guldbrandsen & Moe (2005) is a situational characterization of a nation which has vast non-renewable resources, yet minimal economic growth in comparison to countries with more scarce resources. The fact that various international NGOs feel the need to pressure IOCs into engaging social projects, can be seen as an indication that the host countries are weakly regulated. For example the IOCs are not being taxed properly, which hinders the developing host country's own economic growth, or that there is the possibility that money does indeed change hands, but where it ends up is not necessarily clear. An example of what an IOC could do is to make its transactions to the host government public, which could increase the transparency of the business; however, this can threaten cooperation with the host country government if they feel this sort of action makes them appear in negative light.

2.1.3.3 Comparison of Macro and Micro CSR

There is not a neat distinction between Macro and Micro CSR as the two fields are not clearly segregated but rather partially overlap. Micro CSR practices, such as employment of local people (whom are often less educated), construction of schools and/or providing learning material, establishment of hospitals, and/or maintenance of vital infrastructure, can produce significant consequences on the Macro level.

The fundamental difference between the two fields, can however be distinguished by the risks involved. Micro CSR projects are usually win-win projects that benefit both companies' reputation and community development. This can be argued to be very advantageous for the company because it also fosters good relationships with the authorities and the society, which in turn benefits the company's development in the area. In contrast, Macro CSR actions – such as disclosure of investments in host countries – may expose companies to risk for sanctions from host countries (Gulbrandsen & Moe, 2005). This gives rise to the issue of the 'Paradox of Participation' (Solinger, 2001), which in definition means harvesting the benefits of the natural resources while simultaneously being obliged to contribute to the local development. Increasingly, various international organizations and NGOs expect oil companies to engage in the social and developmental agenda by promoting transparency, human rights, and other social developments. Companies may be subjected to criticisms and be regarded as socially irresponsible if they do not promote a broader agenda as preconceived by the wider public. Alternatively, proactive companies can also risk severe business consequences that may even lead to the host government terminating contracts over disputes about Macro CSR issues and disclosing sensitive information. An example of this is the Angolan state-owned oil company – Sonangol – having threatened to end their contract with British Petroleum, when BP proclaimed publicly that it will publish the transactions and payments made to the Angolan government in 2002 (The Guardian, 2002).

2.1.4 Stakeholder Theory

As described previously in the Introduction to Corporate Social Responsibility, there are presently varying definitions on who actually are the relevant stakeholders and to what extent should companies' take them into consideration in their policy making and operations. Milton Friedman's approach from 1970 was to only consider maximizing shareholders profit as a part of corporations' responsibilities. Friedman's view differs quite extensively from that of Edward Freeman's, who proposed that a stakeholder: *"in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives"* (1984: 46). Freeman's definition appears most frequently in academic literature as the definition for stakeholders and can thus be considered as an *industry standard* when proceeding deeper into the matter.

Freeman's definition is rather broad and includes any groups or individuals that are affected by an organization. A further classification needs to be conducted in order for the organization to utilize and consider the different groups efficiently in operations and communications. This thesis will concentrate in two theories on stakeholders: **(1)** Mitchell et al.'s (1997) theory on Stakeholder Salience and **(2)** Mendelow's (1991) Power-Interest –Matrix for stakeholder communication. Though the theories are relatively close to one another, the first theory offers a good introduction to classifying stakeholders according to their salience, where as the latter one offers an explanation to why companies communicate certain things more than others.

2.1.4.1 Stakeholder Salience –Model

The Stakeholder Salience –model by Mitchell et al. (1997) provides a dynamic framework for conducting an analysis of a company's stakeholders, both present and future. Classically stakeholder theorists support either a broad or a narrow view – Freeman's all-inclusive classification representing the broad view. Mitchell et al. provide a more narrow view which enables to "*define relevant groups in terms of their direct relevance to the firm's core economic interests"* (Mitchell *et al.*, 1984: 857). They base their theory on three attributes: ***(1)*** *power*, ***(2)*** *legitimacy*, and ***(3)*** *urgency*. The definitions of the attributes are as stated below, with our own interpretations:

> **1. Power:** *"…the extent it has or can gain access … to impose its will in the relationship"* (1997: 865) – in our opinion, it is the ability to act upon or make

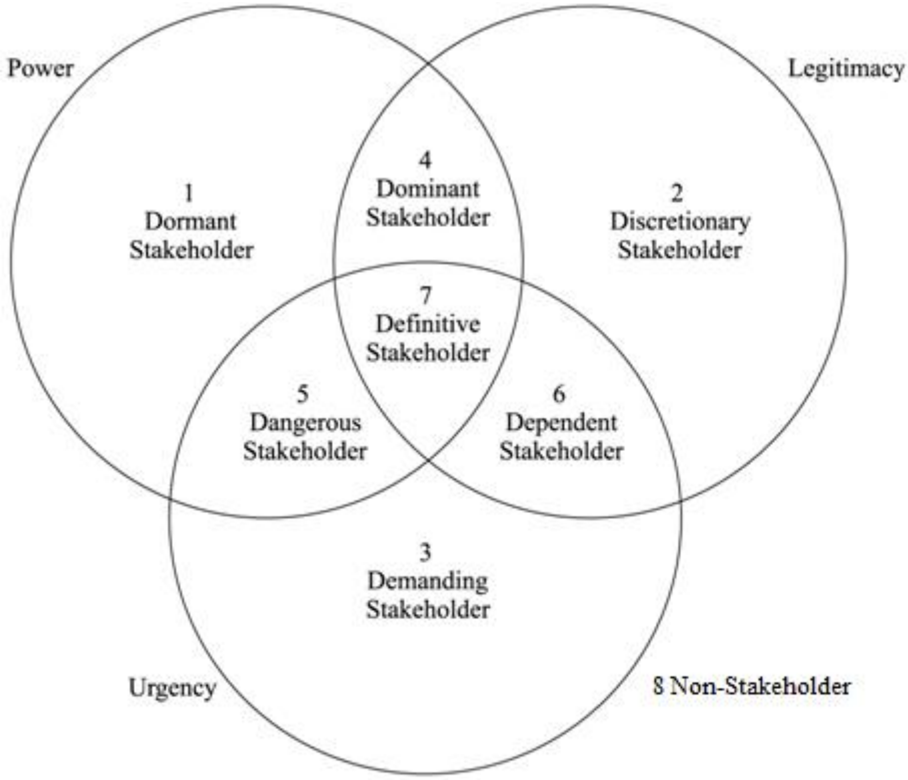
decisive decisions based upon the stakeholders attributed power i.e. ability to lobby. This can include legal or official authorities as well as corporations with negotiation power over authorities.

2. Legitimacy: *"...perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system…"* (1995: 574) – to us, this attribute constitutes of stakeholders with claims justified by legislation, i.e. environmental organizations fighting against preservation of biodiversity or preservation of national parks where natural resources are present and there are plans to allow corporations to gain i.e. mining rights to access said resources.

3. Urgency: *"The degree to which stakeholder claims call for immediate attention"* (1997: 867) – in which the matter requires time sensitive action and delays may have detrimental consequences to the stakeholders. For example, shortly after the BP accident in the Gulf of Mexico in 2010, the fishermen in the area were in desperate need of assistance to secure their livelihood, which was threatened by the oil spill and the resulting pollution.

Power and legitimacy are respectively viewed by Mitchell et al. (1997) as the core attributes in classifying stakeholders, yet it is the urgency which makes the model dynamic. As Figure 2 on the following page indicates, the three attributes do not classify stakeholders in only three categories. Rather, the attributes can exist either by themselves, overlapping with another attribute, or all three attributes can be present simultaneously – which is a typical characteristic of Venn diagrams. Moreover, though a group or an individual may possess an attribute or multiple attributes, there is also the possibility of losing an attribute, which also makes this characterization of stakeholders dynamic as conditions continuously develop. Furthermore, an attribute can exist without the stakeholders' awareness, as well as it can shift in the figure as circumstances change.

Figure 2: Stakeholder Salience –model



Source: Mitchell et al. (1997)

As visible from the Figure 2, Mitchell et al. divide stakeholders into three preliminary classes based on their salience or *"the degree to which managers give priority to competing stakeholder claims"* (1997: 869). The outer rim of stakeholder classes, called the *"Latent Stakeholders"*, constitutes of groups which possess only one attribute. The three Latent Stakeholder groups are called ***(1)*** *Dormant*, ***(2)*** *Discretionary*, and ***(3)*** *Demanding*, with each of them possessing only one attribute. Their salience in the eyes of a company results in the stakeholders not receiving much attention. Examples of latent stakeholder groups, according to Cornelissen (2011: 48-50) are:

1. Dormant: *Coercive* individuals wielding a loaded gun, *utilitarian* entities with money to spend, or *symbolic* entities such as news media.

2. Discretionary: *Corporate charity recipients.*

3. Demanding: *Lone demonstrators* near a company site may be embarrassing to a company, or of annoyance to employees or managers, but they often remain unnoticed due to their lack of power and legitimacy for their claims.

The second tier of classification consists of the *"Expectant Stakeholders"* which posses two out of three attributes and are called: ***(4)*** *Dominant*, ***(5)*** *Dangerous*, and ***(6)*** *Dependent*. The overlapping of stakeholders attributes in this group results in them receiving increased attention from organizations, making them a rather important group. Examples of possible stakeholders in these groups are according to (Mitchell et al. 1997):

4. Dominant: *Governments* are often both powerful and legitimate, but often lack urgency in matters dealing with company operations. Cornelissen (2011) additionally characterizes employees, customers, owners and significant investors of a corporation as dominant stakeholders.

5. Dangerous: *Terrorists* possess both power and urgency, yet though their claims may be legitimate, even Mitchell *et al.* warn against viewing any terrorists or extremists as having legitimacy.

6. Dependent: *Inhabitants* in the proximity of an industrial accident, i.e. Fukushima nuclear plant accident in the spring 2011 drove numerous people away from their homes when the area around the nuclear plant was evacuated and closed. The people left homeless obviously possess an urgent need with a legitimate claim and are thus dependent on another group with power to assist them in this time of despair. Cornelissen's (2011) characterization goes even further, stating that local residents belong in this group – accident or no accident – which we feel to be slightly over dramatic as in general operations can be expected not to endanger living conditions of the inhabitants in the area as corporation's operations often follow international industry standards

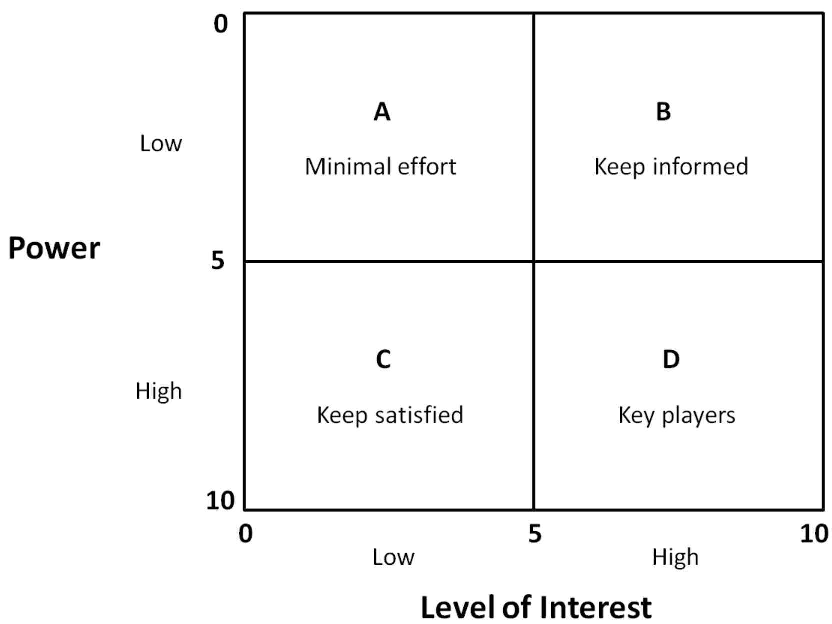
The final group characterized by Mitchell et al. (1997), *"Definite Stakeholders,"* posses all three attributes and is thus on the tier of the highest salience, which leads managers to be fully aware of the group's existences and its needs. The Definite Stakeholders can be said to be closest to an organization in the sense that their voice is heard and they are considered, often much more than the other aforementioned six groups of stakeholders.

A group left ‘outside’ of this model is called *“the Non-Stakeholders,”* consisting of groups and individuals who for the time being do not possess any of the three attributes. However, Mitchell et al. (1997) emphasize that this group should not be ignored. Due to the models dynamic quality things are on the move as situations develop, and thus a group of Non-Stakeholders may rise up to a status where its needs make it a stakeholder in one of the other groups. Moreover, just as groups gain attributes, they can also lose them, and it is the constant change that presents companies with the actual challenge of managing stakeholders.

2.1.4.2 Stakeholder Communication

Cornelissen (2011) presents Mendelow’s (1991) mapping device for *“categorizing stakeholders on the basis of the power that they possess and the extent to which they are likely to have or show and interest in the organization’s activities.”*(2011: 48) This model appears rather similar to the Stakeholder Salience –model; however, its purpose is more on the lines of communication between a company and its stakeholders, and the degree to which a company considers stakeholders worthwhile of informing, rather than distinguishing who are the relevant stakeholders.

Figure 3: Power-Interest -Matrix



Source: Mendelow (1991) presented in Cornelissen (2011)

The matrix sorts stakeholders based on the power they possess and the extent to which they are likely to be interested in a corporation’s actions. According to Mendelow (1991, cited in Cornelissen, 2011), the *‘key players’* in **quadrant D** are the most important stakeholders to communicate with due to their high both power and interest. In terms of the stakeholder salience model, the dominant, dependent, and definitive stakeholders would belong in this category due to either the power they possess or the power they could possess – should they gain it in addition to their already existing legitimacy and urgency. Moreover, Cornelissen (2011) states that though **quadrant B** – *'keep informed'* – stakeholders lack power, they should be kept informed of corporations actions to avoid them spreading negative word-of-mouth. Examples of stakeholders in quadrant B are discretionary, demanding, and dependent stakeholders due to their respective levels of urgency and legitimacy. Furthermore, though the dangerous stakeholders possess power and urgent interest in a company's actions, even Mitchell *et al.* (1997) emphasizes not giving in to this group as i.e. terrorists and other sabotage entities belong into it, since they often employ rogue/guerrilla methods to achieve their goals.

According to Cornelissen (2011), the most challenging is one is the **quadrant C** – *'keep satisfied'* – as they tend to lack interest, yet can exercise their power when reacting to corporate decision and activities. A good example of representatives in this quadrant are various media outlets, as media often does not hold direct interest in the company, but rather on journalism. Dormant stakeholders can be considered the largest part of this quadrant through informative journalism. Furthermore, scandal seeking journalism can be seen as an even more threatening subgroup for their intentions are purely on self-interest – to sell more papers. Though stakeholders in **quadrant A** – *'minimal effort'* – lack interest and power in a company's actions, the awareness of them is important due to same reasons as when measuring stakeholder salience with Mitchell et al.'s (1997) model: circumstances change.

Furthermore, though the Power-Interest –matrix is more a device for companies to map out their communication with stakeholders, it should be noted that the communication should not be one-sided. Simultaneously, as a company communicates to its stakeholders, it should equally pay attention listening to them more or less actively. Continuous dialogue with i.e. customers can increase consumer satisfaction and with employees it can improve job satisfaction. The latter may sound redundant, but employees power in terms of word-of-mouth and work motivation can be considered extensive, for *"the average customer thinks of the average brand maybe eight minutes a year, but the average internal customer [read: employee] thinks of their organization eight hours every day"* (Thomson, 2005) Therefore, we argue employee satisfaction to be extremely important.

According to Baker's (2005), there are two aspects in corporation's operational goals: *(1) Internal*, consisting of quality of management both in terms of people and processes, and *(2) External*, impact on the society. Positive characteristics within the Internal Aspects of corporations operations often remain unseen, unless corporations release Sustainability or CSR Reports of their operations. The External Aspects on the other hand – especially if negative – are more public information. Groups and individuals outside a corporation's operations are increasingly interested on corporations' activities, yet due to the aspects of operations, the external layer is the one viewed most often. Therefore, the more internal aspects of operations need to be reported to increase awareness of what positive operations corporations have in terms of surrounding society. To better qualify who would want to get what information on operations and their implications is yet another reason why companies need to define their stakeholders. It should however be noted that reporting and actions need to match accordingly, even if results are less visible to external audiences as false reporting can/will result in negative reputation.

2.1.5 CSR Learning Stages

Zadek (2004) introduced five stages that organizations pass through as they learn to handle Corporate Social Responsibility. An organization becomes more aware of the ethical issues happening in the region of operation, such as industrial pollutants, access to medical care and medicine, education, etc, especially when their operations are in concern or when they want to promote their reputation. As an organization learns more about these issues, it recognizes them, educates itself on the different points of views, and becomes a participant in the dialogue on development. During this learning process, the organization would often create 'rules of engagement,' which define the company's common practices and standpoints towards the different issues.

According to Zadek's (2004) five stages of Corporate Social Responsibility, the learning stages are called: 1) Defensive, 2) Compliance, 3) Managerial, 4) Strategic Advantage, and 5) Civil, respectively.

At the *defensive stage*, a company often faces criticisms from the media, civil activists, and sometimes from customers, employees and investors. The company tends to deny the existence of problematic practices or the responsibility it bears for addressing and solving them. The company's responses are designed and implemented by a legal team and tend to respond either by rejection of allegations or denial of the links between the company's practices and the negative outcomes. By doing so, they defend themselves against attacks and criticism that might affect the company's operation such as sales, recruitment, productivity and the brand. (ibid.)

The next stage is the *compliance stage*, in which a company would generally adopt a policy-based compliance approach as a ‘cost of doing business’ in the particular community. The established actions and their company policy are usually made visible to critics. The reason behind the visibility is to mitigate medium term erosion of the economic value of the company because of ongoing reputation and litigation risks. (Zadek, 2004)

The third stage is the *managerial stage*, in which company gives managers responsibility for the social issues and their solutions. The company integrates responsible business practices into daily operation in the community. By engaging in such practices, it tries to mitigate erosion of economic value in medium term and to achieve longer-term gains. (ibid.)

The next stage is the *strategic advantage stage*, in which a company integrates the societal issues in the community into its core business strategies. This gives the company a competitive edge to operate in the area and gain the first mover advantage over its competitors. (ibid.)

The final stage is called *the civil stage*. In this stage of learning, a company promotes broad industry participation in corporate responsibility. The ultimate goal of such a company is to become the industry leader in the development of Corporate Social Responsibility and to ensure that other industry participants do so as well. The reasons behind the engagement at this stage are to enhance long-term economic value and additionally realize gains through collective actions with other companies in the industry.

To conclude, we have presented and discussed the present academic definitions of CSR and its concepts, especially Stakeholder theories. In our opinion, the concept of CSR is difficult to define in one single theory because the concept covers and considers a broad spectrum of actions, values, and norms, and is furthermore largely dependent on the operational context as well as the individual performing the evaluation. In developed countries CSR actions can be i.e. companies sponsoring local sports teams, etc; where as in the developing nations such a sponsorship could be viewed as irresponsible business behavior since the people are more in need of basic services, i.e. healthcare, housing, or education rather than a well-maintained football field. Thus we would argue that CSR engagements and their importance to the society – both in the area of operations as well as in the locations the actions are interpreted in – differs globally and cannot necessarily be simplified into a universal code or standard. Therefore we consider it extremely important to also include cultural and different aspects of philosophies in our research to better analyze and compare the CSR actions of our case companies.

2.2 Culture and Ethics

2.2.1 Culture

> *This sense of wonder is the mark of the philosopher. Philosophy indeed has no other origin.*
>
> *Plato*

Although the quote from Plato would lead us to believe philosophy to have only one origin – *sense of wonder* – we argue philosophy and ethics to be culturally bound and thus there are as many origins to philosophy as there are philosophers. Philosophy itself constitutes of various theories defining values and beliefs, i.e. concepts of right and wrong. These factors – values and beliefs – along with expectations and goals constitute culture, which are shared by members of a particular group (Hofstede, 1991). According to Hofstede, individuals often recognize their own culture [only] when encountered by another, and even then, it is mainly the differences between ones own culture and the observed culture that are recognized.

To better analyze cultural differences aside from the culture bound ethical and philosophical standpoints, we wish to introduce Hofstede's (ibid.) five dimensions for measuring cultural characteristics: 1) *Power Distance,* 2) *Uncertainty Avoidance,* 3) *Individualism–Collectivism,* 4) *Masculinity–Femininity,* and 5) *Long-Term Orientation*. The dimension scores for our case culture's can be found from the Appendix in table format, however, in the following we will present the general description on each of the five dimensions along with the case countries comparisons – the Chinese and Norwegian cultures can be found in the Literature Review section, while African dimension can be found in the Analyses section of the thesis (Appendix 1).

NOTE: Hofstede's original study did not include China; however, the information is presently available in his current research (Hofstede, 2012). Thus, we have chosen to approach the scores on China by first evaluating what we believe the score to be, and then utilizing the website to either confirm or reject our initial view. We have chosen this approach to both allow ourselves a chance to define the score based on what we believe influences the score, as well as to 'test' if neighboring nations in East Asia are as similar as we expect them to be.

<u>*2.2.1.1 Power Distance*</u>

Power Distance refers to the appropriate hierarchical distance in i.e. the society, institutions, and corporations. Countries, or cultures, with a high power distance score tend to have strict rules regarding hierarchy, which leads to situations in which i.e. subordinates do not challenge authority but rather take orders from their superiors without questioning. Cultures with a low power distance score on the other hand have looser rules on hierarchy, which can be seen in practice by i.e. subordinates being heard and included in decision making and further them being able to question and challenge their supervisors. (Hofstede, 1991; Gooderham & Nordhaug, 2003)

Based on Hofstede's research (1980; 1991; 2012), Norway has a power distance score of 31, indicating a rather low status of hierarchy in the society. We feel that Norway has been scored appropriately, based on our experience as foreign students studying and interacting in Norway; the Norwegian society is egalitarian. Hofstede (2012) further explains Norway as a society where communication is often on first name basis, direct, and participative, which we agree on. Since other East Asian countries – i.e. Hong Kong, Indonesia, India, Taiwan, and Thailand, among a few others – scored relatively high on the power distance dimension in the original study, and together with our own experiences, and the origin of one of the writers, makes us believe that China has a high power distance score as well (approx. 60 – 80) (Hofstede, 1980; 1991). Our estimation is confirmed by the dimension comparison tool on Hofstede's website (2012), which scores China with 80 on power distance, making it a very hierarchical society.

2.2.1.2 Uncertainty Avoidance

Uncertainty Avoidance dimension measures the degree to which the representatives of a culture – both individuals and organizations – are comfortable with change and risk. According to Gooderham and Nordhaug (2003), a high score in this dimension indicates an emotional need for rules, either written or unwritten, which demonstrates itself in practice with organizations operating in high uncertainty avoidance societies to formally define rules and regulations to better define responsibilities and task. In societies having the need with low uncertainty avoidance score, on the other hand, change and uncertainty do not cause stress and anxiety in the same way. (ibid.)

Norway scores 50 on this dimension, which would indicate a solid, middle-road attitude towards uncertainty (ibid.); or being pragmatic as Hofstede (2012) describes it. China's score is more challenging to define as other East Asian countries' scores differ a lot – i.e. Hong Kong with a score of 29 has low uncertainty avoidance along with Philippines, Indonesia, and Singapore, yet Taiwan (score of 69) and South Korea (85) do not take change as lightly (Gooderham & Nordhaug, 2003). Since Hong Kong, Philippines, Indonesia, and Singapore used to be colonies of European nations – thus influenced by their colonial rulers' cultures – we would argue that China scores relatively high on uncertainty avoidance along with Taiwan and South Korea (approx. 70-80). However, to our surprise, according to Hofstede (2012) China scores 30 on uncertainty avoidance, making it less risk-averse than Norway.

2.2.1.3 Individualism–Collectivism

The third dimension – Individualism–Collectivism – scores nations/cultures based on the "*extent to which people prefer to take care of themselves [as individuals] and their immediate family*" versus *"being bound to some wider collective such as the extended family or clan"* (Gooderham & Nordhaug, 2003: 133). The score largely represents individual preference to decision making and completing tasks, as well as including others in decision making in terms of how decisions affect people and situations on a larger scale. The score also measures the distance between work and private life in the sense that *"tasks will prevail over relationships"* (ibid.) in cultures with high levels of individualism.

Norway's score on this dimension is 69, indicating a more individualistic social structure (ibid.; Hofstede, 1980; 1991, 2012). Taiwan (17) and Hong Kong (25) both have a low individualism score, indicating that these societies are rather collectivistic. (ibid.) This leads us to believe that China as well has a low individualism score, indicating a collectivistic society. Our estimation is confirmed by Hofstede (2012), who scores China with a score of 20.

2.2.1.4 Masculinity–Femininity

This dimension measures values i.e. assertiveness, competitiveness, and materialism, which in masculine cultures means valuing money, performance, and ambition, valuing the achiever (Gooderham & Nordhaug, 2003). In contrast with the masculine societies, feminine societies put more value on quality of life, family and the environment, as well as sympathizing the less fortunate (ibid.). The authors (ibid.) further noted that men in general score higher on masculinity, which makes us argue that since the corporate world is generally male-dominant it leads corporate cultures to be more masculine in general. Therefore, we argue that though national culture may have a lower score in masculinity, corporate cultures are more conservative by default.

Norway scores 8 on the masculinity dimension, making it an extremely feminine culture (Hofstede, 1991; 2012). We agree with Norway's score, as our experience of the culture leads us to believe that in Norway, leisure time is much appreciated by individuals indicated by i.e. strict adherence to opening hours. With Taiwan scoring 45 and Hong Kong 57, and China's rather high power distance score, we would estimate China to be slightly higher on masculinity with strong emphasis on performance results – especially in the sense of avoiding losing face. Our claim is confirmed by Hofstede's website (2012), which scores China at 66 on masculinity.

2.2.1.5 Long-Term Orientation

The fifth dimension is somewhat connected with the uncertainty avoidance, yet slightly different. The dimension measures pragmatic orientation towards the future (Hofstede, 2012). Hofstede connects this dimension with Confucius and argues that it *"can be interpreted as society's search for virtue"* (ibid.). In simple terms, the dimension measures the time orientation of cultures: how far ahead plans are made and how fast profits are expected.

Norway's score (44) indicates short-term orientation, a society that values i.e. leisure time, crude facts, and has a concern for stability (ibid.). Since this dimension did not exist in Hofstede's original study, we will not compare the results of neighboring nations to how China would score. According to Hofstede (ibid.),, China's score in long-term orientation is 118, which indicates strong need for stability and value on traditions. However, China scoring lower than Norway on uncertainty avoidance – indicating less risk-averse attitude – would have led us to believe that China is more short-term oriented than Norway. Although, it first appears that the dimensions conflict one another, we feel that this difference merely shows how national culture and how business is conducted can differ from one another. Since China is currently in a booming economic state, it is evident that risks need to be taken. However, as can be seen later, China has long-standing traditions, which we believe to have a very strong effect on the time orientation of the culture.

We do acknowledge that various scholars have criticized Hofstede's work, and that there are other academics researching cultural dimensions, i.e. Trompenaars. However, for the purpose of our thesis, we have chosen to only include Hofstede, as theory on culture and its aspects are not our main focus as much as case specific cultural characteristic.

Due to the analysis involving comparison between the Corporate Social Responsibility ethics between a Norwegian and a Chinese oil company, it's highly relevant to present theory on Eastern and Western ethics. Furthermore, business ethics research results should be present in the form of a comparative study to note more precise areas, which are affected by the cultural differences. The following chapters will show that some of the philosophies have been present for centuries, yet although cultures and societies develop over time to cope with environmental and societal changes, i.e. globalization, according to Hofstede (2001) cultures change slowly. Therefore we feel it is appropriate to also include philosophies originating from centuries ago, for their writings still appear in our lives in various ways even today.

2.2.2 Ethics

2.2.2.1 Western Ethics

Hofstede (2001:34) points out that culture change takes place relatively slowly due to *"reinforcement of culture patterns by the institutions that themselves are the products of the dominant cultural value system."* If we then consider what institution has been the dominant one in the West for the last centuries, Christianity in its many forms can be argued to rise to the top. Thus we argue that the ethical values of the west originate largely from Judeo-Christian faith. Moreover, with the Lutheran Church having been closely connected with the Norwegian state, we believe that the society's core values have been influenced by it. However, since the Western ethics are not limit to the philosophies of Christianity – considering that the rules within the different sects of the religion differ from another – we will also present central Western philosophers and their philosophies to provide broader base for the analysis. Additionally, we will include a brief overview of the United Nations Declaration of Human Rights.

2.2.2.1.1 Judeo-Christian Religion

Christianity has been around for approximately 2000 years, when it separated itself from Judaism. It became the dominant religion in the Mediterranean Area during Roman Empire and proceeded to spread across Europe. During 11th century's Great Schism, Christianity was separated into Roman Catholic and Eastern Orthodox due to differing opinions. Since then, additional separations have taken place, with the major one being the Protestant Reformation in the 16th century initiated by Martin Luther. However, though the Christian faith has been split into multiple sects, the central commonality with all of them is the Bible as their holy book. Additionally, although they have their own perceptions on how to interpret the word of God, we argue the core to be universal.

The Old Testament offers a set of rules that are widely known in the world as the Ten Commandments, and they are present in all sects of Judeo-Christian religions – Judaism, Catholicism, Protestant, Orthodox, etc. The whole list of the Ten Commandments can be found from the Appendix (Appendix 2); however, in this chapter merely the ones more relevant for the thesis are drawn out and analyzed in respect to the topic. These Commandments are:

5. *Do not kill.*
7. *Do not steal.*
8. *Do not bear false witness against your neighbor.*
9. *Do not covet your neighbors' possessions.*

Source: Translated by authors from Huovinen, 2000.

The reason for these Commandments being relevant for the thesis is they all deal with a person's relations with others in a society. The rules are simple and straightforward. Though not everyone in the West has a religious denomination, the presence of the Ten Commandments in legislations and additionally often something that is taught as 'the right thing to do' – moral behavior – they can be claimed to have a central influence on the core ethical values in the Western society.

The Old Testament differs from the New Testament mostly with the concepts that are presented as teachings of Jesus. The New Testament presents a more forgiving image of God as it is, but also teaches to be tolerant and not judgmental. Though the present society cannot be said to follow these teachings wholeheartedly, the values are still included in legislations multiple countries, i.e. no discrimination based on gender, race, age, faith, sexual orientation, etc.

2.2.2.1.2 Western Philosophers

According to Magee (1987:10) *"philosophy is not part of the mental furniture of most people, even most of those educated at universities."* He does admit to people following up on world events through news, and reading literature in its different forms, however, since Philosophy is often separated as its own specialized subject – along with specialization of all subjects, i.e. mathematics, language studies, etc. – the knowledge of philosophical concepts are not generally learned unless one chooses to specifically study it. Though some philosophies are common knowledge, i.e. democracy and communism, we might be familiar with the general concept but often the deeper meaning of the ideology is neglected.

Ziccardi's (2010) *Fundamentals of Western Philosophy* divides the field in four categories: (1) Metaphysics – fundamental nature of existence, (2) Epistemology – philosophy of knowledge, (3) Ethics, and (4) Political Philosophy, of which the two latter play a relevant role for our analysis.

<u>2.2.2.1.2.1 Moral Philosophy</u>

Socrates, a Greek Philosopher (469/470-399 BCE), is argued by Magee (1987) to be the philosopher where it all began, though all his works were written down post-mortem by his student, Plato (428/427-348/347 BCE). Magee also highlights *Gorgias* (by Plato after Socrates) above other discussions – most Plato's texts were in discussion format – by summing Socrates' concept of ethic as: *"only real harm is harm to the soul."* The severity of harm to the soul vs. body is described with *"you may lose all you money or be paralyzed …, but that is nothing compared to the damage done – by yourself to yourself – if you lead an unjust life."* (Socrates by Plato in Magee, 1987:17) Plato never questioned the sentiment that whatever injustice you do to other also hurts your soul and further repeating that thus injustice harms the doer as justice benefits the doer. To us that sounds similar to Karma or the saying "*You reap what you sow*" originating – later – in the Bible in the Book of Galatians 6:7.

Immanuel Kant (1724-1804) in turn was the philosopher behind the *categorical imperative*, *"[which is] the idea that one should act in such a way that one would grant the same behavior to everyone else."* (in Ziccardi, 2010:149/513) Kant further refers to the categorical imperative as the law of morality and has also divided it into four *duties*: (1) *the perfect duty of one self*, (2) *the perfect duty to others*, (3) *the imperfect duty to oneself*, and (4) *the imperfect duty to others*. The ultimate conclusion, or rather last though on categorical imperative by Kant himself was that the whole concept was possible only because a person possesses freedom – or free will – and that it is only through this freedom that the person decides how to act when knowing how s/he ought to act.

The theory of *utilitarianism* was first introduced by Jeremy Bentham and later taken further by John Stuart Mill (1806-1873). According to the theory *"actions are right in proportion to the happiness they produce, and wrong when they 'tend to produce the reverse of happiness.'"* (Ziccardi, 2010) Ziccardi describes the feelings as happiness being intended pleasure as well as absence of pain while the reverse – unhappiness – is *"pain and the 'privation of pleasure.'"* He further remarks that since under utilitarianism it appears that there is no higher 'end' than pleasure; many have criticized it, but Ziccardi further argues that critics have failed by interpreting the pleasures as merely bodily ones and completely forgetting to include mental pleasures.

What all three of these moral philosophies have in common is their viewpoint on moral behavior. They view actions from the perspective of the person committing an act towards another other individuals, and how the moral of the committed act affects the person doing it. Thus it's not completely clear what these moral philosophies are from the perspective of the overall society. Ideally, each individual acts morally, leading to a moral society; however, we can all agree that no individual is 100% moral in their behavior leading to societies that are equally immoral.

2.2.2.1.2.2 Political Philosophy

Political Philosophy differs from Moral Philosophy in the sense that it does not pursue to give a moral code, but rather involves explanations to why different types of societies exist. According to Ziccardi (2010), the questions posed in the field are: *Who should rule? What is the role of the individual with respect to the whole? How is justice defined? What are the principles upon which the laws are based? How are rights defined, and especially property rights? What is the form and function of government?* (ibid.: 188/513) Under this section we will present core concepts of political philosophy, i.e. capitalism, communism, etc.

Sophisticated *Capitalism* has already been presented within the CSR theory; however, we will review capitalism as a political philosophy within this section. According to Ziccardi (2010), capitalism is *"the only social system ... grounded in the identity of man."* He brings up rights i.e. mans right to his own life, and the fruits of his labor, with the clause that one's actions do not violate the rights of others. Further, Ziccardi points out that according to Capitalism, governments and businesses are set-up institutions, which do not possess the same rights, or moral obligations, as individuals do. As an example, Ziccardi brings up taxation and claims that since a government is an abstract institution it cannot own anything, since this is the right of living things. Similarly, from this perspective corporations would not need to pay taxes, since for one they are not living things nor is government taxation justified through true capitalism. Overall capitalism is justified in the sense that everyone receives what they are entitled to in comparison to their efforts; however, from the perspective of functional societies and communities, the sentiment of capitalism in its core can be argued to not function properly in the societies where some succeed better than other. Additionally, especially in Europe, the government has set up sophisticated social institutions to ensure at least a minimal standard of living to those who are not able to work due to i.e. lack of employment, physical injury, mental health/capacity, etc. Thus the concept of Sophisticated Capitalism presented within CSR can be argued to represent a more viable form of capitalism in actual societies.

Furthermore, Baker's (2005) concept of *'capitalism's Achilles heel'* poses a dilemma for corporations. Within this perspective capital, poverty, and inequalities are intertwined, and the dilemma rises from the corporations' responsibility towards shareholders to promote capitalism as a way of solving social and environmental issues. In simpler terms, there is pressure from i.e. Wall Street and shareholders to produce higher short term profits on constant basis, yet there are other groups of stakeholders which demand more than merely financial results, i.e. sustainability, responsibility, etc. (Andvik & Vodahl, 2011).

Communism can be argued to be the other end of the spectrum from capitalism. The philosophy of communism can be coined to being a socialist philosophy to pursue a society with not class, currency, or state authority. Initially the philosophy was coined by Karl Marx (1818-1883) and later further interpreted by Lenin, the revolutionary leader of USSR. According to Marxist theory (Marx & Engels, 2011), the state of pure communism is the stage of development in which production develops to produce a surplus leading to abundance of wealth that can then be redistributed based on people's needs. The concept sound similar to socialism and the economic systems in the sense that governments are able to redistribute wealth by providing services to everyone as well as support the less fortunate members of the society through taxation. Marx justifies the similarity by stating that socialism is a stage of transition to communism. Furthermore, since the philosophy of communism is largely based on working for the collective good as a collective, the concept of *collectivism* and its nature also need to be considered.

According to Ziccardi (2010: 119/513), *Collectivism* "*is the belief that the needs of the many outweigh the needs of the individual ... therefore man should sacrifice his life for the sake of the many."* Ziccardi further criticizes the concept by arguing that if happiness – a famous context in which happiness is coined as one of the measures of one's quality of life is the Bill of Rights in the preamble of the United States Declaration of Independence in which the American Founding Fathers wrote that man has *"certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness"* – is the measure of achieving ones personal values, the concept of collectivism is against the goal because it requires sacrificing one's values and therefore happiness for the common good. The argument goes even further by stating that collectivism is possible in practice only through the morality of altruism, but that the more employed methods to make it work are either coercing individuals to believe it to be a better practice or to force them to live accordingly. Additional challenge of collectivism is that it is argued (ibid.) to *"breed ... hatred and contempt among individuals"* resulting in conflicts i.e. class warfare, further adding that the worse thing beyond *"feelings of hatred and contempt, is the fear of being the objective of them."* Ziccardi concludes his discussion on collectivism by saying that in a collectivistic society a man is not truly free because of i.e. not being free to leave the society. We can somewhat agree with this sentiment as we have seen examples of this in the media, however, it should be noted that not all collectivistic societies are necessarily following the credo of collectivism but rather an altered form of it, such as social democracy.

2.2.2.2 Eastern Ethics

It has been observed that the dominant ethical content of China is mostly influenced by three Philosophical streams of believes: Confucianism, Taoism, and Buddhism (Adler et al., 1989; Ralston et al., 1993; Whitcomb et al., 1998). In the following, we focus on the managerial studies of these values upon ethical issues.

2.2.2.2.1 Confucianism

Confucianism is one the three traditional Chinese philosophies beside Taoism and Buddhism. Confucius – the 'founder' of Confucianism – was regarded as an *"innovator in his basic concept that good government was fundamentally a matter of ethics"* (Fairbank & Reischauer, 1978:44). It possesses major influences on the Chinese values, which differ significantly from the Western philosophies and ethics. Confucianism is not a utilitarian belief since materialistic profits and wealth are usually considered in conflict with the *"the dictates of virtue"* according to de Bary et al. (1960: 16–17).

Confucianism provides the foundation for the concept of the collectivist and power distance values in China, and can be summed up into four key principles (Hofstede & Bond, 1988): (1) *the stability of society is based on the different level of relationships between people*, while the most important relationship is ranked from ruler and subject, father and son, older brother and younger brother, husband and wife, and the last is older friend and younger friend; (2) *family is the prototype of all social organizations*; (3) *virtuous behavior toward others lies in reciprocity and in mutually benefit to both parties*; (4) *virtuous behavior includes and contributes to self-improvement through education, diligence, perseverance, and possess a moderation attitude towards all things*. Confucianism also classifies society into different classes: (1) the scholar administrator, (2) farmer, (3) artisan, and (4) merchant, which would indicate that business transactions are ranked/valued the lowest in society, below individuals who either manage or produce something. China's recent economic advancement has initiated several comparative studies that have attempted to relate this success with Confucian values (Hofstede & Bond, 1988; Ralston et al., 1993).

While Confucian values provide the fundamentals for the understanding of Chinese's values, these values were attacked during the Cultural Revolution from 1966 to 1976. The economic reform period following the Cultural Revolution resulted in criticism of the ideology. The ambitions for economic productivity required a re-examination of the traditional system of incentives, and the moral perseverance was replaced by materialistic compensation to improve enterprise performance and motivation (Snell & Tseng, 2002). The paramount leader of China, Deng Xiaoping had introduced the country to a new market ethic, where profit was viewed as the primary goal. This new market ethic, where people placed more weight on economic reward and growth, was significantly in contrast with Confucian values. Evidence of this was shown in a comparative study of ethical business values between China and the US by Whitcomb et al. (1998), where the Chinese sample reflected a mixed influence of traditional Confucius values and the market ethic, and the Confucius value appeared to influence the decisions more significantly in morally complex situations. This is substantially different in comparison with ethical business values in the US sample where more emphasis is placed on interpersonal relationships between participants (Whicomb et al., 1998). The results of the study (ibid.) were rather surprising to us since the USA is extremely individualistic – Hofstede's score 91 (1980; 1991, 2012) – and further the Republicans are constantly trying to decrease the size of the government, limit social welfare programs, etc.

A main difference between Eastern and Western business management towards the conception of ethics is the extent to which they are willing to consider whether business practices reinforce, or alternatively undermine, the legal and political situations, particularly in institutionally weak countries (Ralston et al., 1993). While China's economy has grown and rapidly expanded to other countries in the recent decades, its involvement in international trade and investment arena make the broader understanding of the Chinese perspectives more relevant to business ethics than before.

2.2.2.2.2 Taoism

While Confucianism mainly focuses on social order of the society, Taoism emphasizes more on individual life and harmony. Taoism bases its fundamental doctrine in the Tao Te Ching (道德經), which is a classic literature on the teachings of Tao (道) and Te (德) which represents 'the way' and 'virtue/power' respectively. In order to appreciate the philosophy of Taoism, one must understand the three main concepts: Tao, Freedom and Wu Wei (無為) (Maspero, 1981).

Tao literally means *'the road/way'* and represents the way of life or living naturally and correctly and in generals is quite similar to the teachings of Confucianism. While Confucianism takes a positive and progressive attitude towards living and achieving virtue of life, Taoism uses an effortless and natural approach in achieving the virtue. According to Maspero (1981), Tao emphasize on following the natural way and believing that the nature has its own balance. Eventually if one follows and live naturally, one will achieve a life of peace, harmony, and enlightenment. This way of living is the opposite of artificial regulation, war, punishment, and ceremonies. (ibid.)

For the concept of Freedom, Taoism believes that absolute freedom can be achieved through the understanding of Tao and practice of Wu Wei. Wu Wei literally means *'no action'* which reflects the ultimate goal of Taoism as the simplicity of life and the universe working harmoniously according to its own ways (Dorn, 1997). If one exerts his will against the world, this will disrupt that harmony. Taoism does not identify one's own will as the root problem. Rather, it emphasizes that one must place their will in harmony with the natural universe. Thus, a potentially harmful interference is to be avoided, and by doing so, goals can be achieved effortlessly (Dorn, 1997).

2.2.2.2.3 Buddhism

Buddhism came to China around 67 CE, while Confucianism and Taoism had already existed in China for more than five hundred years. As a result, Buddhism is seen as an extension of Chinese philosophical teaching of Taoism and Confucianism in China (Rong, 2004).

According to Kitagawa (1962), Buddhism seeks to remove the causes of anxiety in order to free humans from suffering. Humans, rather than a revelation of god, are central to Buddhism since they are referred to as the cause of social division, suffering, and violence, and as in practice they are followers of a path which respects virtuousness and non-violence. The main concepts of Buddhist teachings are represented by the doctrines: 'the Four Noble Truths', which locates the causes of suffering; and 'the Eightfold Path', which describes ways to alleviate sufferings. According to Buddhism, the foundation of Buddhist ethics is the *Pancasila* (the five concepts constituting the basic Buddhist code of ethics) - no killing – even butchering animals for food, including pointing out a particular animal to be butchered for ones food, stealing, lying, sexual misconduct, or intoxicants. Buddha also provided some basic guidelines in following the Eightfold path, with the main concept being to hold a non-violent manner towards all living things and to keep an intimate relationship to all living things. (ibid.)

All in all, the Chinese cultural and ethics place great emphasis on harmony and loyalty, and the society focuses more on ethics and virtues rather than the rule of law. Confucianism, Taoism, and

Buddhism have been practiced and advocated in the Chinese society for over 2500 years. According to Suen et al. (2007: 263)., "*the teachings are deeply embedded in the Chinese culture and influences one's ethical philosophies and behavioral patterns*" and "*the teachings' main idea is to fulfill obligations according to one's social position, the submergence of individualism and to preserve harmony in a community.*" These teachings constitute the foundation of Chinese culture and have a great impact and influence on China's transformation to globalization and working culture.

However, none of aforementioned political philosophies are functional without further modify according to the social structure. As mentioned in the Western Political Philosophy, Capitalism and Communism is the two ends of the spectrum. The principles of communism spread throughout China in the early years because the ideas were appealing to the general public, especially for the law of equality. Under the power of Mao Zedong, the leader of the Chinese Revolution, communism began to be practiced in China. Up to date, the Communist Part of China still maintains as the ruling party of the People's Republic of China (Joseph, 2010).

In terms of foreign policy China is currently employing a non-intervention policy, which makes a clear line between business and politics and keeps Chinese businesses away from intervening a countries' internal affairs and therefore, political issues i.e. corruption, transparency, or human rights are seldom discussed as part of the Chinese companies' ethical or CSR responsibilities. While China's economy has grown and increased rapidly in the recent decades, its involvement in international trade and investment arena increases the relevance for broader understanding of Chinese perspectives to business ethics more than ever before (Ralston et al., 1993).

2.2.2.3 Business Ethics Research: West vs. East

The philosophical foundations of the Eastern culture differ considerably when compared with the Western philosophy (Whitcomb et al., 1998). There are a number of comparative studies that discovered significant variance between the eastern business ethical values and those of the western cultures (ibid.). However, it is often found that the measurement is difficult to carry out in a meaningful way and the results are hard to interpret (Alder, 1998. Examples of this research topic include research conducted by Whitcomb et al. (1998) on the ethical business values in China and the US, in which the authors surveyed management students to observe responses from 'fresh-minds' not yet influenced by actual practices in the business world; and by Ralston et al. (1993) on the comparison of managerial values in China, Hong Kong, and the US.

According to Whitcomb et al. (1998) existing business ethics research mainly relies on Western principles i.e. utilitarianism, rights theory, or theory of justice. The idea behind Whitcomb et al.'s research was to explore the connection between individual behavior and the environmental context in given countries. Their assumption was that *"differences in mode of interaction between business and government would be expected to strongly influence ethical decision-making."* (1998: 841)

The conclusion of the research is presented here, however, the exact statistics of the survey results can be found from the Appendix (Appendix 3). The hypotheses prior to investigating the results were (ibid.):

> *1. Chinese and U.S. subjects will select the same behavioral choice when faced with the same ethical dilemma.*
>
> *2. Chinese and U.S. subjects will select the same rationales to justify their behavioral choices.*

Whitcomb et al.'s initial hypotheses were *"based on theories that ethical values are universal: judgments concerning what is right or wrong in business situations are expected to be identical cross-culturally."* (1998: 841) However, when analyzing the survey results, the first hypothesis was rejected in two out of five occasions and the second hypothesis in all situations. Though, according to the writers, the results do not establish a direct link between ethical decision-making and institutional environments, they still consider the results to show that there are similarities between the cultures. This is in contradiction with existing management studies, which say there are significant differences between cultures. Furthermore, the authors also state that it would be much recommended to conduct further studies i.e. with managers rather than students. (ibid.)

In our opinion, the result of Whitcomb et al.'s study can be explained by the fact that although there is a cultural difference between their two counties of study, business cultures can be argued to be more universal than nations' own culture and ethics. This similarity might be explained by the fact that the current market is functioning according to the philosophy of capitalism, leading to similarities in business practices, yet not completely altering corporate culture from the home nation's culture. Additionally, our observations on the Western and Eastern ethics after researching and writing about them, is that although the concepts are similar in the sense of ethics, i.e. do no harm to others, there is a slight difference in the perspectives. The Western philosophy section is largely individualistic, offering a moral guideline in the sense that wrongful behavior by an individual will harm the individual him-/herself, whereas the Eastern philosophy takes a more 'community approach' on the matter. This difference is in accordance with the Hofstede's scoring on Individualism-Collectivism dimension of our case cultures. It remains to be seen later on how the two main case cultures function together with the African culture and its different dimension.

2.2.3 United Nations Declaration of Human Rights

The Universal Declaration of Human Rights by United Nations (UN, 2012), ratified on December 10th 1948 in Paris, has a similar approach to ethics as Judeo-Christian and the presented Moral Philosophies from the West as well as to the Eastern Philosophies. Due to the length of the Declaration, the whole text can be found from the Appendix (Appendix 4), however, a summary will be presented here.

The Preamble, as summarized, states that *"human rights should be protected by the rule of law ... faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom, ... Therefore THE GENERAL ASSEMBLY proclaims THIS UNIVERSAL DECLARATION OF HUMAN RIGHTS as a common standard of achievement for all peoples and all nations."* Therefore it is clear that the Declaration is not a law, however, it is something countries should consider when drafting national laws. Moreover, the doctrine focuses on treatment of human beings from the perspective that we all have equal rights to being i.e. free, secure, and not being discriminated against or oppressed. In our opinion, these are values embedded in most sophisticated cultures, and the instances where the values are not respected are most often exceptions, i.e. authoritarian societies, dictatorships, or smaller indigenous cultures living in isolation and still competing on resources similar to what took place during the history of our civilized societies.

How the Declaration of Human Rights is then related to the research topic? The general conception within CSR is to do well, pay forward the financial success of a company to the society within which it operates. Due to different perceptions of ethics, however, opinions differ between cultures on what exactly is good and thus the purpose of this chapter on Ethics has been to point out what is considered responsible or appropriate behavior. We do not wish to diminish the value of the doctrine, but in our opinion something similar could be drafted for businesses as well, to set a global standard on operational ethics that would take into consideration

In terms of business operations, the aforementioned cultural theories and philosophies set the tone for what individual or business entities – considered legal individuals – should consider when conducting business. There is also a general perception, in addition to the operations of companies acting independently, that in order to decrease corruption in nations where it exists that corporations should join forces together to wean out said corruption through joint efforts. An example of a joint effort would be similar to what was mentioned in the CSR chapter that companies operating in e.g. Angola would jointly make their books open in terms of capital flow to the government and its various entities. We mentioned earlier that BP attempted to do this on its own, but was threatened by Sonangol that they would lose their licenses. Therefore, should all the IOCs operating in Angola take the same stance, Sonangol and the Angolan government – along with the ruling elite – would be ‘forced’ to comply with the change as losing the partnerships with the Western IOCs. The result of such termination of cooperation could possibly mean the end of Angolan oil business when important know-how and capital resources for operations would leave the country. However, ultimately such effort would be more transparency from the companies’ part and the government would be forced to spend the money in benefit for its people in a more transparent manner, cutting the leakage to the corrupt Elites to a minimum in fear of appearing corrupt.

3. Methodology

This chapter will present the research methods, which were utilized to acquire information of the previously presented theories of the Literature Review and the subsequent Analysis section containing findings and theoretical analysis. Additionally we will justify why specific methods were chosen.

3.1. Research Designs and Methods

The theoretical framework for the thesis consists mainly of academic literature from journals and textbooks. However, as noted further, some parts of the literature review required utilizing non-academic literature.

The theory presentation begins with the basic theory on Corporate Social Responsibility to provide an idea of the concept, which is still arguably not a very specific theory due to differing opinions and interpretations. We have attempted to present CSR, its history, and different aspects of its practice accordingly with respect to the research topic. Due to the analysis involving the stakeholder perspective, the introduction to stakeholder theory, the Salience-model, and the Power-Interest-matrix are introduced to provide tools to categorize stakeholders based on their needs, legitimacy, urgency, and further how the corporate communication tools take stakeholders into consideration. The section on CSR will end in the CSR Learning Stages –theory, which offers tools to analyze the level of commitment in the case companies within the Analysis. The literature used in this section is largely academic and has been chosen to meet our needs to perform an adequate analysis of what CSR is perceived to be.

The presentation of culture, ethics, and philosophical backgrounds are presented to provide a solid understanding on perceptions of the concepts in the areas the thesis deals with. Due to the case involving three different countries – Norway, China, and Angola – we have considered it appropriate to include the core ethical and philosophical of the two major cultures and their concepts within the Literature Review, and introduce Angola within the Analyses section. The section on Western ethics and philosophy contains a mixture of, academic and non-academic literature, and personal experiences. The section is divided in two parts: Western ethics – Judeo-Christian religion, Moral and Political Philosophy – and Eastern ethics – Confucianism, Taoism, and Buddhism – to separate the different culturally bound concepts from one-another to partially highlight their differences, yet enable the reader to view the similarities better. We have further included a section comparing Eastern and Western business cultures and introduced the Declaration of Human Rights to provide further analysis on differences within the literature. The literature, both academic and open source, has been chosen for this section to enable us to get a holistic picture of the two case cultures to allow form a proper analysis of the case cultures.

The theory chosen for the Literature Review has been selected to allow a qualitative analysis of the case cultures to enable us to try understanding the practical CSR methods employed by the two case companies – Statoil and Sinopec. We consciously chose to retain our CSR theory on theoretical level in the Literature Review, as in our opinion the engagements are more bound to the home cultures of nations than what other nations or IOCs expect from one another. Although CSR is a globally known concept, the extent to which companies engage in it differs to a large extent, and expecting the same engagements from everyone without official regulations is difficult and thus criticism based on that is arguably disputable.

3.2 Analysis Methods

The Analyses section has been constructed using secondary data from various sources, both academic and non-academic. We chose to rely on already existing secondary data for getting interviews with Sinopec or Sonangol representatives was not a viable option. Surely, organizing interviews with Statoil would not have been as problematic; however, to maintain the content and the analysis 'fair' towards the other two companies used in the analysis – Sinopec and Sonangol – we chose to opt-out from even interviewing Statoil representatives.

Analyses content was structured to present the basic background information on the oil business, African and Angolan background information – history, economics, culture, etc. – to provide a solid foundation for the analysis of the case. After presenting the information on oil business, and the African and Angolan background, we have constructed a table of salient stakeholders based on the theory presented in the Literature Review and the findings regarding the business in general and the geographical area of operations. This table and its validity will be tested later within the thesis in terms of if the corporations actually consider the stakeholders they should consider according to existing theory, practices, and the different cultural norms.

The following section of the analysis will contain the introduction to our case companies and their governance, as well as their CSR engagements and different codes of conduct regarding Corporate Social Responsibility. The content was chosen to provide sufficient amount of information for a holistic analysis of the case companies through the presented theories.

Within the Analyses section, analyses will contain the discussion between the theoretical content and presented findings. The analysis will be qualitative due to the nature of the research, which does not allow comparisons of exact numbers i.e. oil exports and capital invested in CSR projects.

We understand the challenge between comparing two cultures and their ethical creeds, yet as representatives of the two case cultures – Western and Easter – we believe that the analysis will be comprehensive and justified. Additionally, as views on China's operations in Angola have generally been presented with a western bias, we will consciously attempt to refrain from taking the same path. Both writers have extensive experience with cross-cultural management, and are thus capable of viewing cultural matters subjectively. Further, we believe that since one of the writers is Chinese, the analysis will be fair towards China as the writers have an open relationship when it comes to communication.

3.3 Reliability & Validity of Research

We admit to the content being limited both in terms of theory and findings, resulting in analytical short comings. In order to perform to wholly holistic analysis, in depth data would be required directly from companies, governments, etc. to asses i.e. national regulatory institutions and how exactly do the nations address various human rights, i.e. attitude towards sexual minorities, handicapped and elderly people, etc.

Aside from the short comings which could be met through more in-depth research requiring appropriate contacts and cooperation, we feel our case presentation and analysis have met the purposes of our research problem as expected at our level with our access to information.

Furthermore, although research bias is present in our case from the perspective that we have chosen the topic ourselves, we have attempted to remain as neutral as possible. The secondary data collected is obviously originally constructed by a third party, an expected to contain their views on the matter to the same extent our research reflects our views. We have viewed all content critically, as can be seen from our analyses throughout the thesis.

4. Data Analyses

4.1 Oil Business

Oil and gas hold specific characterize of commodities. Some of these characteristics include its: *"unique role as both common natural heritage of a country and the motor of global industrialization," "depletability," "price volatility and consequent boom-bust cycles," "especially high capital-intensity and technological sophistication," "enclave nature," and "the exceptional generation of profits that accrue to the state and to private actors"* (Karl, 2008:3). From these special properties compounded with the growing demand for energy, the oil and gas industry is no doubt a large industry with great complexity.

Oil and Gas industry can be distinguished in two sectors: upstream and downstream. Upstream activities involve the process of exploration, development, and production of natural gas or crude oil, while the downstream activities involve the commercial and business related actions i.e. sales to gas stations or the delivery of oil for heating. In this thesis, we are focusing on the CSR actions related to the companies' upstream activities.

The Organization of Petroleum Exporting Countries (OPEC) is an intergovernmental organization founded in 1960, aiming to the *"coordination and unification of petroleum policies of Member Countries and the determination of the best means for safeguarding their interests, individually and collectively"* and *"to ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital for those investing in the petroleum industry"*(OPEC, 2008). It is shown from its statute that its interest is not only to protect the countries with the oil resources, but also the producers, consumers, and shareholders. Currently there are 12 member countries within OPEC: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela. Norway has attended OPEC meetings as an observing party, yet it is not an official member. (OPEC, 2012) However, there is no mention of China's involvement with OPEC. Since OPEC controls and has the power to influence the largest portion of the world's oil and gas suppliers, the member countries have the option of raising the price of the oil and gas by reduction the production.

In addition to OPEC, there are also other oil regulatory organizations i.e. the International Association of Oil and Gas Producers (OGP) and Oil and Gas Regulatory Authority (OGRA), of which Norway is a member of OGP. While these organizations provide standards and guidelines with regard to the oil and gas industries operations in relation to i.e. environmental performance, health and safety, and operations with deepwater wells (OGP, 2012). The provided standards and guidelines are mostly recommendations given by the organizations but its members are bound to neither the rules nor regulations. An example of this optional implementation of rules is the Deepwater Horizon oil spill in the Gulf of Mexico in spring 2010. While British Petroleum is a member of OGP, yet the oil spill accident happened despite that there are clear guidelines for deepwater wells from OGP to its fellow members. This is yet another proof that these regulatory organizations are only providing recommendations, yet they do not have the responsibility or take initiative to monitor the performance or operations of their members.

4.1.1 Business system – State Owned Enterprises (SOEs)

There are currently no clear imperative cases that either promotes or is against SOEs. Two main characteristics of SOEs are *"pervasive information asymmetries"* and *"bounded rationality"* (Simon, 1983: 25). Lack of autonomy is also often associated as a common feature of traditional SOEs. However, although the state possesses the ownership of the SOE itself, the state is required to hand over the management of the enterprise to its managers. Similar to other large modern corporation, the common feature of SOE is also the separation of ownership and control (Lin et al., 1996). This separation of ownership and management gives rise to the problems of incentive incompatibility and information asymmetry (ibid.). However, this is not an issue only for SOEs but also to other private corporation. In addition, the Sappington-Stiglitz's (1987) fundamental privatization theorem further indicates that the performance of privatized firms is superior to that of SOEs only under rigid and often unrealistic conditions. It established that *"an ideal government could do better running an enterprise itself than it could through privatization"* (ibid: 23). The problems faced by large SOEs and also by large private enterprises are similar as they are both subjected to multiple layers of hierarchy that can lead to agency problems. These problems may include moral hazards, managerial slacks and discretions (Stiglitz, 1994). The SOEs need to face these problems just as any other large private corporations. Furthermore, it is noted that there are undeniably SOEs that are corrupted and inefficient in the world. However, no clear evidence has indicated that SOEs are definite obstacles to a more efficient and effective world economy as there might be a tendency of *"selection bias"* in the empirical findings, due to most existing research consists of selected SOEs that are not performing effectively (Chang & Singh, 1993).

Privatization of SOEs was considered to be an option for policy makers interested in improving SOE performance from the 1980s until present (World Bank, 1995). Reasons behind privatization may include a *“well developed capital market that makes it easier to sell the SOE shares”*, *“the government has adequate regulatory capabilities”* or *“the SOE is in a potentially competitive industry and competition cannot be increased without privatization for political reasons”* (Chang, 2004:18).

There are numerous intermediate options in addition to fully privatized and fully state owned enterprises. The government can trade the shares of the SOE, while simultaneously preserving majority control (Goldstein, 2002). *“Cooperative corporatization”* is also an option where the state would sell the SOE to a private firm as cooperative partner (Stiglitz, 2006).

4.2 Background on Africa & Angola

4.2.1 Africa

Africa is not one country or society and substantial variations are easily found across the vast continent with over 50 countries and a multitude of colonial backgrounds, economic systems and physical environments. According to Edoho (2001), Africa is perceived as “*having a greater degree of cultural, ethnic and linguistic pluralism than any other continent*” (Edoho, 2001; Gutterman, 2011:13). A country, or sub region, may develop very different organizations and cultural characteristics based on its unique combination of exposure to different cultural and historical elements. Furthermore, in Africa, the particular culture and language that a region may have absorbed from its colonial occupiers, i.e. English, French or Portuguese, has created differences in attitudes and organizations. Religion is also an important aspect throughout the African continent. Altogether, researchers have argued that there are similarities among the African countries with respect to their cultural values, beliefs, rituals and business practices based on the below historical or cultural influences (Nnadozie, 2000).

4.2.1.1 Colonialism & Imperialism

European possessions in Africa by 1875 were mainly for the purpose of trading along the coast and a few small colonies. However, during the period from 1880 to 1910, Africa was divided up among the Europeans with no regard to tribal occupation. For 50 years, most decisions affecting Africa and its populations were not made in Africa nor by its people, but rather in the United Kingdom, France, Portugal or other European countries. The reasons behind the colonialism were mainly for the Europeans to explore Africa in search of cheap labor, marketing of goods, finding raw materials, and areas for investment after the industrial revolution at the early 18th century (Brown, 2000).

Colonialism itself is a situation where a strong country controls a weaker country socially, economically, and politically, which is closely related to imperialism. During the colonial period in Africa, European countries introduced little or no benefits to the weaker states so as to be more beneficial to themselves, such as introduction of education or adaptations which were based on the European culture. One of the more detrimental results of colonialism was that a country took land rightfully belonging to the natives without their consent and generally mistreating the natives afterwards (Herbst, 2000). This included the intensive exploitation of Africa's natural resources i.e. minerals, oil, and land alienation, which made Africans more dependent on their European colonial rulers. Despite the above negative effects, colonialism also brought a few positive effects i.e. the distribution of social services such as construction of infrastructure, schools and hospitals of which some are still used today, i.e. University of Dar es Salaam, and many buildings and infrastructure in South Africa. The innovation of European religion and education introduced some changes, which benefited Africa, i.e. eliminating 'bad' cultural practices, by making it more appealing for foreign direct investment (FDI) and development in the economic sector (Acemoglu et al., 2001).

According to recent scholarly works, African specialist have pointed out that the example left by European rule in terms of politics was sheer domination and not democracy. This greatly influenced the current situation of Africa, in which some African states are still run with little thought to the benefit of their subjects but rather for the benefit of the ruling Elites (Mamdani, 1990; Davidson, 1992).

4.2.1.2 Influence of War

Wars in Africa have been unique because of the particular history of the continent. Violence between the numerous African tribes has been going on for centuries. According to the Stockholm International Peace Research Institute (SIPRI) in 2000, it was stated that "*...Africa is the most conflict ridden region of the World and the only region in which the number of armed conflicts is on the increase.*" (SIPRI, 2000: 23). SIPRI further states that "*Africa continues to be the region with the greatest number of conflicts.*" two year after the previous report is published (SIPRI, 2002: 5). These domestic conflicts result in serious consequences to economic development, especially for the poor African countries. Empirical works have demonstrated that conflicts can destruct economic development that took decades to achieve, and even long after the termination of conflicts, they could still continue to limit economic growth (Bates, 1990).

Collier and Hoeffler (1999) have distinguished between two main possible motives for civil war – 'justice-seeking' and 'loot-seeking.' In more recent papers, they have reexamined these motivations focusing more in Africa and revised the terms as ‘greed’ and ‘grievance’ on the incidence of civil wars on the continent (Collier & Hoeffler, 2002). Greed is referred to as the desire for private gain. In Africa, the existence of rich natural resources is considered the motive for rebellion and a facilitating factor for conflicts. Collier and Hoeffler’s main measurement for greed is the ratio of primary commodity exports to gross domestic product and is seen as offering the opportunity for compulsion which helps to finance war. They argue in their works that the risk of civil war increases as the natural resources endowment increases, and equally decrease as the opportunity cost of rebellion increase. Later on, Collier and Hoeffler’s use of primary commodity dependence were challenged by Sørli (2002) whose work suggests using a breakdown of the primary commodity dependence into mineral and oil dependence. It is suggested that the unique technology, infrastructure, and the dominant role of oil in the international market affects the economic and political development to a large extent.

Furthermore, Civil wars may also be caused by grievance, ultimately aiming to achieve justice. The measurement of the level of grievance includes social (ethno linguistic & religious), fractionalization, the degree of political repression/democracy, ethnic dominance, and economic dysfunction (i.e. slow growth, high inflation, high inequality) (Collier & Hoeffler, 2002). In Africa, social fractionalization and the presence of minimum form of democracy since the colonial period are especially important indicators that contribute to rebellions and civil wars.

4.2.1.3 Cultural Context

Based on the above historical and cultural influences, African has developed a unique cultural with regards to the society and business. Researchers have provided a summary description of some common characteristics of business culture in the African context (Nnadozie, 2000), of which we will cover the essential ones: high power distance, collectivism, and associative thinking, in the following.

Africa – we have chosen to observe both East and West Africa since the two scores differ and Angola is not included in Hofstede’s research(Scores available in Appendix 1) – scores high on Hofstede’s (2012) power distance measure (65-75), indicating that authority is expected to be allocated within the society by seniority, age, and social status. According to Crawford and Muriithi (2003) in their article about project management in Africa, rigid hierarchical structures are commonly found in organizations in with decisions generally only made by the management level, and employees are highly dependent on their managers and superiors. Communication is almost exclusively downward within the organizational hierarchies. These positions of authority are reserved for seniors or elders regardless of the knowledge requirement associated with the position, since they are simply respected for the role that they play in preserving and passing on cultural traditions, norms, and values considered fundamental to defining and maintaining a sense of African community. Employees and subordinates are in turn expected to show respect in their relationship and this is mainly characterized by strict protocol, formality, and politeness. (ibid.)

Furthermore, African society is more collectivist than individualistic – Hofstede's scoring 20-27 on East and West Africa respectively (2012). In more individualistic societies great importance is placed on the needs of familial networks i.e. family, ethnic group, tribe, and organizations. Extended familial networks are important and usually include a large number of individuals, who are expected to show allegiance to their families, tribe, etc. This impacts the ownership and organization of business enterprises, as evidenced by a preference in many large African businesses for creating subsidiaries for each male child in the family (Anyansi-Archibong, 2001). In many cases, group norms are more important than the national community and may become the basis of defining the rights of individuals and groups, inheritance and succession.

Additionally, African culture is characterized as being more associative than abstract (Edoho, 2001). This implicates that Africans tends to allocate significant importance on the culturally defined symbolic concepts. Thus knowledge is not necessarily valued in the abstract, but rather only has meaning for Africans' to the extent that it can be specifically related to some aspect of political, economic, and/or social life. This is one of the reasons why Africans are having trouble in relating the abstract concepts of 'democracy' and 'capitalism' into symbols that they can readily understand within their unique cultural context. This difficulty in grasping concepts that are quite obvious to people in the West can perhaps be explained through Gooderham & Nordhaug's (2003: 258) theory on knowledge transfer between an 'intelligent' parent company and a 'low knowledge' subsidiary. Although, the case here is not between business units, but rather between different nations and their cultures and individual citizens, the theory provides a possible explanation to the situation. According to the theory, the ability to take-in knowledge depends on the cultural distance between the sender and the recipient, as well as on the difference in base knowledge/education. Bearing this in mind, when considering the fact that the aforementioned concepts of democracy and capitalism originate from the West, and that the level of education in general in African nations is not at par with developed nations of Europe, it can be argued that this affects the locals' ability – in Africa – to comprehend the concepts.

4.2.2 Angola

Angola has recently emerged from the civil war that lasted for 27 years, beginning in 1975 and continuing for almost three decades until its end in 2002. After the signing of the Peace Accord in 2002, the political situation has been relatively stable, which has increased the potential of Angola's economic growth trajectory. According to Corkin et al. (2008), Chinese companies entering Angola have marked the period of rapid infrastructural regeneration and hence, lead to the increase of GDP in Angola. The International Monetary Fund (IMF) estimated Angola's real GDP would increase by 16% in 2008, but the actually GDP growth in 2009 was flat due to the low oil prices during the global financial crisis. Meanwhile, the dominant sector contributing to the GDP of Angola is the oil and gas sector that contributes half or more of the GDP. Angola is thus more dependent on oil than any other country in Sub-Saharan Africa, or even some OPEC members. According to a study by IMF (Davis et al., 2003), Angolan reliance on oil income is extreme even when compared to other countries with great reliance on mineral exports. This long term reliance on its resources has led Angola to the 'resource curse,' which we have mentioned earlier.

4.2.2.1 History

Angola was active in trade with Southeast Asia and India after being discovered by the Portuguese navigator and explorer Diogo Cão in 1482. The Portuguese progressively gained control of the coastal area in the 16th century though a series of wars and treaties. The Dutch took over Luanda for 8 years from 1641, but afterwards the Portuguese retook Angola, turning its primary interest in the country towards slave trade. After Portugal colonized Brazil in the 16th Century, Angola became one of the main sources of slaves for the colony. Slave trade assumed upmost importance during the 17th century, when slaves from Angola were bought to the Portuguese sugar cane plantations in Brazil. In 1885, when the British and Portuguese confirmed their colonies' borders, they had invested in infrastructures, farming, and mining. (Cillier & Dietrich, 2000)

Post WWII, independence movements emerged in Angola, and were strongly suppressed by the Portuguese army. Major parties involved were the People's Movement for the Liberation of Angola (Movimento Popular de Libertação de Angola – MPLA), National Liberation Front of Angola (FNLA) and National Union for the Total Independence of Angola (União Nacional para a Independência Total de Angola – UNITA). After 14 years of negotiations and mainly war, the Portuguese government eventually declared Angola independent in 1975.

After the independence of Angola, since the Portuguese did not hand over the control to any particular party or succeeding government, MPLA declared itself the ruling government of the independent country. Simultaneously, UNITA and FNLA (National Front for the Liberation of Angola – Frente Nacional de Libertação de Angola, which later declined in importance) set up a rival government, which led to the civil war. During the war, MPLA had the support of i.e. Soviet Union and Cuba, while UNITA gained political support from i.e. both the United States and South Africa and also received funding from them. The war continued until 1989 when the two parties started to negotiate a ceasefire. MPLA agreed to end the one-party state and the agreement was achieved in 1991 on a constitution that holds the two rival parties and a democratic, multiparty election (Karl, 1996).

The election took place in 1992, and MPLA won over UNITA. President of UNITA, Jonas Savimbi, refused to accept the result and declared the election a fraud. Thereby, the civil war resumed. In 1994, with the help of UN mediation, a peace agreement was established with the demobilization of UNITA forces and the participation of UNITA in the government. However, in 1997 Savimbi refused to give up power, failing to demobilize his army, and try reclaiming the territory. Civil war resumed again. (ibid.)

In 2002, Savimbi was killed by government troops in an attack in South Eastern Angola. Six weeks later, a ceasefire agreement was signed, ending the almost 30 years of civil war in Angola. Although peace was finally achieved, the civil war had severely damaged the country's political and social situations, i.e. the UN estimates a total of 1.8 million of war affected population (Cillier & Dietrich, 2000).

4.2.2.2 Economy

Angola's economy has experienced the fastest growth in the world for the last decade. According to the International Monetary Fund, Angola's annual GDP growth rates were up to double digits from 2003 to 2008 (IMF, 2011). The high growth rates may be branched from i.e. the low economy base to which it grew from, the rise of global oil prices, and the government's focus being redirected from war to the economy.

However, as Angola's economy is hugely dependent on oil, it was severely affected by the drop in oil prices in 2009. Its real GDP growth dropped immediately from 13.3% in 2008 to 2.4% in 2009 and only grew to 3.4% in 2010. According to the African Economic Outlook, despite the recovery of oil prices, the debts incurred by the Angolan government for construction and infrastructure hindered the growth of the general economy (African Economic Outlook, 2012).

Inflation also poses a challenge for Angola. Due to years of rising international oil prices, prices of consumer goods have also risen as a result of increased cash flows. In 2008, the inflation rose by 6%, reaching 13.7%. The rate further rose to 14.5% in 2010 and was expected to decrease in 2011 to 14.3% (CIA, 2012). This inflation rate gave rise to some socio-economic problem, i.e. high food prices, which affect daily intake of food, which has become a struggle for Angolan citizens. Over 45% of an average Angolan citizen's yearly income is spent on food consumption (Consultancy Africa Intelligence, 2012). The government has attempted to combat this problem by subsidizing food and daily supplement, which has lead to a drain in the economy over time. These prices further translate to higher set-up and personnel costs, which hinder businesses and entrepreneurs from entering the market and reduce the diversification of the Angolan economy.

Income inequality serves as a serious problem in Angola as oil exports dominate the economy. According to CIA (2012), the Angolan oil industry has employed less than 1% of the local population (less than 200'000 of approximately 18 million). Therefore, even with the exceptional amount of oil exported along with the rising oil prices, 40 to 50% of the population is living below the poverty line (Faucon, 2009). This provides insights on how little the overall poor population is able to participate in economic activities with the power and wealth controlled by the small Elite. This poses huge difficulties for the national economy to develop.

Furthermore, the Angolan national currency, Kwanza, suffers from severe appreciation due to the economic growth caused by the oil industry. This makes it cheaper to import goods rather than consume domestic products. On the other hand, Angola's export sector also bears the consequences of the high exchange rate of Kwanza, making it so expensive that it is unprofitable for the international markets to import from Angola, decreasing the competitiveness of Angolan goods and resources in the international market. According to National Investment Brief (2010), Angola has had to import 75% of their food supply from foreign countries in the past decade. Should this trend continue, it will make the import of food even more expensive to the point when it's no longer feasible to import food.

To come in line with one of the characteristics of fighting the aforementioned 'resource curse' is to diversify the economy away from the main export commodity. The inflation, income inequality, and currency appreciation make it increasingly difficult to diversify the economy away from oil, which in 2010 contributed 44.2% to Angola's GDP (African Economic Outlook, 2012).

Additionally, according to recent statistic released by the African Development Bank, the unemployment rate of Angola has remained high with an average of 25% from 2007 to 2011 (AFDB, 2011). This may be due to the heavy weight placed on the oil industry upon the GDP growth, which creates limited opportunities for the locals. Additionally, the lack of qualified workers is also a problem; however, the problem can be eased by providing education on different levels to increase knowledge intake capabilities and enable further learning (Gooderham & Nordhaug, 2003). The Angolan government is the largest employer in the country and the Ministry of Public Administration, Employment, and Social Security (MAPESS) is responsible for central administration of employment issues. MAPESS has increased the minimum wage to about 8600 kwanzas/month, which is approximately USD95 and arguably not sufficient to provide a decent standard of living for a family (Human Rights Report, 2010).

Additionally, corruption has been a long-term pervasive phenomenon in Angola. It has not only hindered economic growth, but also the development of the government and other related programs and associations. According to the Transparency International's (TI, 2011) Corruption Perception Index in 2011, Angola ranked 168 out of 182 ranks and is among the most corrupted ones in Southern Africa. Over a scale of 0 to 10 with 0 as the most corrupt, TI rated Angola with 2 which is some of the highest corruption ratings in the world (ibid.). For example, between 1997 and 2002, Angolan government spent USD4 billion without being able to account on what the money was spent on (Human Right Watch, 2004).

4.2.2.2.1 Oil

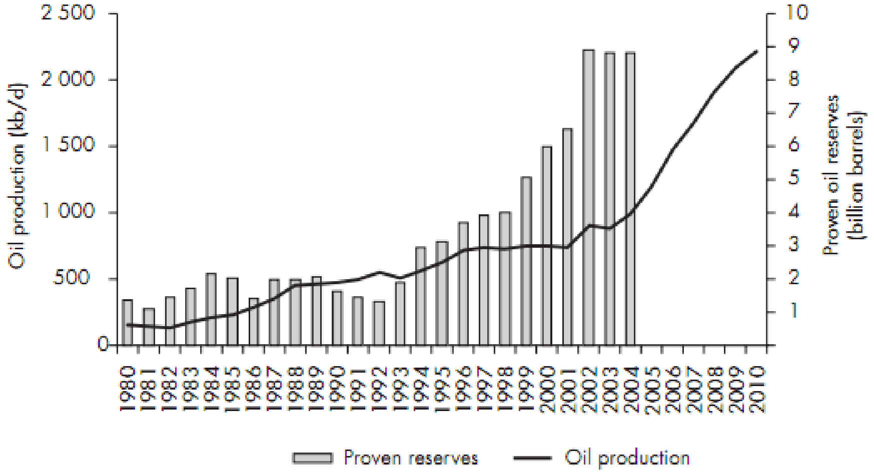
As pointed out in the previous section, oil has always played an important role in Angola's politics and economy. As early as 1956, the Portuguese together with the Petroleum Company of Angola (Petrangol) started oil exploration since its discovery onshore (Library of Congress Country Study, 2012). More crude oil was discovered in the offshore area of Cabinda in 1966, leading to the establishment of the national oil company, Sociedade Nacional de Combustiveis de Angola (Sonangol), in 1975 (Sonangol, 2012a). In 1978, the Angolan government set up the oil law and made Sonangol the sole concessionaire of the oil resources in Angola. Sonangol also holds the right and responsibility to sub-lease the oil fields to IOCs through production sharing agreements (PSAs) or joint ventures. After 1980, the industry has successfully attracted international foreign investments and technological expertise from major oil companies worldwide. Additionally, Sonangol possesses the sole-rights of issuing exploration and production permits, exploration in partnership with other companies, and additionally conducts exploration and production activities itself (IEA, 2006).

According to the Sonangol's website, the company's mission states that *"despite being a state owned company, [it] practices financial and administrative management of its companies on the management standards of private companies"* (Sonangol, 2012b). The philosophies of Sonangol are (1) *"Accounts reporting of all group companies in conformity to international standards of financial rigor*;" (2) *"Achievement of each group's companies goals with transparency and responsibility;"* (3) *"Valorization of the human capital and creating of a professional environment conducive to self-motivation;"* and (4) *"Responsibility towards the environment and for its preservation"*(ibid.). These philosophies appear to be in line with the general standards within the international oil industry; however, the practical implementation is questionable due to the level of corruption in Angola.

In addition to Sonangol, another important organization operating within the oil sector is the Ministry of Petroleum in Angola. It plays a role for setting national oil policies, supervises, and controls all petroleum related activities and issues. According to the International Energy Agency of OECD, the top priorities of the department now include, (1) Full implementation of the 2004 Petroleum Law, (2) Improving the transparency of revenue payments from oil companies and strengthening the framework for revenue management, (3) Developing staff capacity, and (4) Acquiring modern information technology tools (IEA, 2006).

Presently, the Angolan coastline contains three major oil reserve basins: Congo, Kwanza and Namibe. According to the BP Statistic Review 2011, the proven oil production has increased every year, from the 746 thousand barrels/day in 2000 to 1851 thousand barrels/day in 2010. Additionally, the proven oil reserves have also been recorded to have increased from 1.6 billion barrels at the end of 1990 to 13.5 billion barrel at the end of 2010 (ibid.).The Figure 4 on the following page provides an illustration of these increases.

Figure 4: Proven Oil Reserves and Production in Angola



Source: BP Statistic Review, 2005

Revenues of the oil sector in Angola mainly consist of two divisions: the oil export and oil tax. As the domestic oil consumption in Angola remains relatively small, at 1.7 million metric tons, with a possible increase resulting from the foreseen economic growth. According to the International Energy Agency (2006), a large portion of Angolan oil has been exported to non-OECD countries over the past decade, particularly to Asian countries, i.e. China, India, Taiwan, and the Philippines (See Appendix 5). China has an increasing demand for Angolan crude oil, having grown from 20 to over 300 thousand barrels/day from 1995 to date. Angola has earned USD48.6 billion from oil exports last year, with an increase of more than 20% from 2009, according to Angola's Central Bank (IEA, 2006). China was noted as the biggest oil consumer, because it purchased nearly USD21 billion worth of Angolan crude oil in 2010, followed by i.e. the US, India, Canada, Taiwan, and France (ibid.).

The tax regimes of the oil sector in Angola involve two categories: the tax regimes on oil production, and through signature bonuses on exploration rights. The tax and royalty regimes provide income for the government through three different taxes: the production tax (royalty), the Petroleum Income Tax (PIX), and the Petroleum Transaction Tax. For other companies that operate through PSA as contractors of Sonangol, they would operate and recover their cost by the initial production of oil. The remaining production is shared between the government and the companies in different ratios depending on the block and other factors, i.e. cumulative production. Each company has to pay a 50% income tax on their share of the oil profits. This practice ensures that the government obtains revenue even if the exploration project is not profitable for the companies participating in the joint venture.

Due to the economic reform efforts in Angola, the IMF and the World Bank have jointly promoted a monitoring system – the oil diagnostic. An agreement was set up in 2000 with the Angolan government as one of the condition for IMF to undertake the economic reform (IEA, 2006). The accounting firm KPMG conducted a study, which pointed out the gross mismanagement of the governmental oil revenue. Later in 2002, IMF highlighted massive corruption details and the mismanagement of the revenue by the government in a confidential staff report. Cooperation between the IMF and Angola continued between 2002 and 2010; however, little has been concluded and put into action. The main reason was that the government refused to IMF's requirement for greater transparency. The relationship broke off when China Eximbank offered Angola a loan of USD2 billion in 2004. Despite the fact that mostly Chinese companies were contracted under the public development projects of this loan, the terms of the loan further included an amount of the loan to be paid in oil directly to the Chinese government (Corkin, 2011).

Despite all the resources and the ceases of civil war, the situation in Angola has not improved significantly as it has been expected to. This can be argued to be a result of corrupted governance and the diverse cultural base. Of the population of approximately 18 million, 75% consist of three majority tribes (CIA, 2012), which indicates a more culturally diverse society in comparison to Norwegian (94.4% Norwegian) and Chinese (92% Han-Chinese) demographic. Furthermore, as can be seen from comparing Hofstede's dimensions (Appendix 6), the Chinese culture is closer to the East and West African cultures on power distance, individualism, and masculinity. We would argue this to be a major factor in the good trade relationships between China and Angola, even though not all dimensions match.

Furthermore, although Sonangol has included globally recognized standards in its mission statement, we would argue the statements to be in place more for the international oil business as an indication that Sonangol recognizes them. However, as mentioned earlier, the actual implementation of the mission statement is questionable due to the levels of corruption in Angola and further due to Angola refusing to open Sonangol's books to the IMF as part of the terms of the offered loan. Understandably, Angola felt patronized by IMF's requirement and later accepted the loan offer from Chinese EximBank. However, this action of withholding information and failing to provide an explanation on expenses appears to the rest of the world as suspicious activity, decreasing the perceived trust on business conduct in Angola.

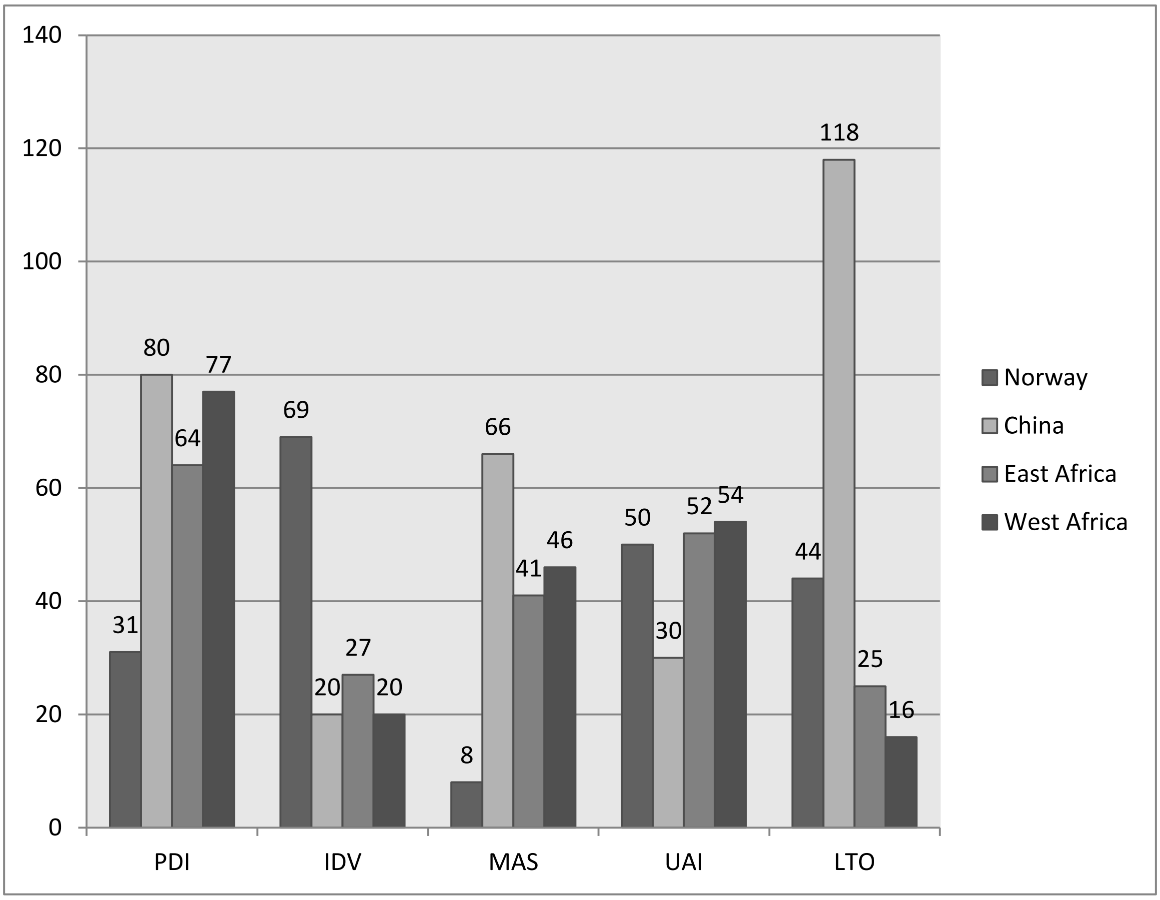
Additionally, all of these factors raise awareness of international organizations and provide incentives for the international oil companies to give aids and assistance to Angola with regard to economic or social development, since it appears that the national government fails at the task.

4.2.3 Comparison of Case Cultures

Within this section, we conduct a conceptual comparative analysis between the case cultures, with a focus on the similarities and differences between Norwegian, African, and Chinese cultural dimensions. The purpose of the section is to clearly point out the characteristics of the case cultures, and how they work together with one another. The analysis will employ Hofstede's cultural dimension, as well as respective ethical philosophies, etc.

To begin our analysis, we have constructed a bar chart (Figure 5) to visualize the five cultural dimensions by Hofstede (2012), which we will discuss accordingly.

Figure 5: Cultural Dimensions



Source: Hofstede, 2012

4.2.3.1 Power Distance

As can be seen from the Figure 5, China is more at par with the African cultures than Norway. This is largely explained by the fact that both China and African cultures value the preservation and passing on of cultural traditions, norms and values more than individuals actual knowledge required to climb the hierarchical ladder in the community to reach the positions of authority (Crawford & Muriithi, 2003). As already pointed out in the Literature Review, this is further visible in one of the principles of Confucianism, according to which the society is classified into different classes and that the stability of the society is based on the different levels of relationships between people (Hofstede & Bond, 1988). In Norway, on the other hand, with the society being quite egalitarian, the people having relatively the same social status, the only thing separating them from one another is their knowledge. This characteristic of valuing knowledge over relationships presents itself with people being evaluated for positions according to their knowledge rather than on who they know, resulting in an environment in which an individual can better compete with his or her peers through improving their educational background, or knowledge in general, rather than getting to know the 'right people' or coming from the 'right family.'

4.2.3.2 Individualism

The similarities within the Power Distance dimension further appear to influence the Individualism dimension, on which Norway stands out as a strongly individualistic society in comparison with Chinese and the African societies. The strong collectivism in China and the African cultures can be explained further by the importance of family within the culture, and further with the close connections inside tribes in Africa. In the cultures, family is viewed as the protocol of all social relationships and organizations, i.e. father & son,. boss & subordinate. Although, the pairing has a stronger hierarchical connotation, it does not only represent hierarchical power relationship, which is more connected to Power Distance, but rather emphasizes the teacher-student –relationship described by Confucius. According to Confucius, although the teacher enjoys a superior status in the relationship, he also enjoys the responsibility of teaching, instructing, guiding, and treating his student, just as a father would care for his children, not taking advantage of his own position of power as the superior party. However, it should be noted that we are not saying that in the Western culture the superiors take advantage of their subordinates, but rather in this context, subordinates are valued more as individuals and have more voice in decision making as their opinions are valued due to the low score in Power Distance. Furthermore, Norway's high score in Individualism also signifies the extent to which individuals have a voice, versus the collectivistic societies of China and Africa where it is assumed that the person in charge – be it the chief of the village, manager in charge, etc. – is expected to represent the interests of his followers as ‘the father figure.’

4.2.3.3 Masculinity

The Chinese and African societies are all characterized as Masculine, compared to Norway which is a more Feminine society. In practice this characterization represents itself with the Norwegian society valuing quality of life, family, the environment, and supporting the less fortunate instead of money, performance, and ambitions, which can be viewed as the bottom-line for business. The reason behind this difference on this dimension can perhaps be explained by the fact that Norway is one of the wealthiest developed nations in the world; whereas the other three are classified either as booming, emerging economies or developing nations. This difference allows Norway to focus more on social development and the wellbeing of its citizens rather than overall construction of the society. Furthermore, since Norway is further in its own economic development than the other three cultures observed here, it can be argued that with less domestic issues to address, they are more willing to improve development and societal conditions in other, less developed nations.

However, it should be noted that although China and the African dimension score higher on Masculinity than Norway does, it does not mean that within the cultures family is not values, since we have noted its importance in the previous sections. The difference can alternatively be better illustrated by stating that the consequences of failure are more dire within the Chinese and African context, especially within the Chinese culture in which losing face is considered perhaps the prevalent social shame.

4.2.3.4 Uncertainty Avoidance

Within this dimension, there are no major differences between the nations; although Norway and the African societies’ scores are more similar compared to the Chinese. Since this dimension evaluates the culture’s perceptions towards risk taking, the scores lead us to the conclusion that the Chinese are less risk averse. This conclusion is against what we expected, since we assumed that the collectivistic societies – China and Africa – would be similar due to their emphasis on family and community, and change being slower when advancing in the hierarchical ladder depends largely on relationships and also because within these societies, there are more ‘players’ were involved due to higher population numbers. Although notably, due to the way hierarchy works in these societies, it could be argued that only a marginal portion of the population even has the possibility to climb the ladder. Furthermore, as developed nations are expected to have more sophisticated regulatory systems according to Institutional Economics, the fact that China has scores low on Uncertainty Avoidance dimension can perhaps be explained by the society's clear boundaries on responsibilities and task, and rules and regulations, is counter to this theory (Gooderham & Nordhaug, 2003). We feel that the difference could be explained by the fact that China is growing at a fast pace economically, pursuing various business interests abroad to meet domestic demand for resources, which forces them to step out from their comfort zone and take more risks in order to excel. Africa on the other hand scores higher due to its somewhat unstable social and economic circumstances, forcing them to constantly deal with changing situations and therefore being more used to constant change.

4.2.3.5 Long-Term Orientation

China's extremely high score on Long-Term Orientation can perhaps best be described by the culture being extremely bound to traditions and ancestry. The same could be expected of Africa as well since its collectivistic nature manifests in strong connections within tribes. However, due to the unstable conditions with multiple tribes within nations, i.e. tribal feuds and competition over land and resources, the people have been forced to become accustomed to not planning things far into the future. Although Norway also scores rather low on the dimension, we would argue it to be a result of a stable economy and society over all, as opposed to the constantly changing circumstances in African societies.

To conclude, the dimensions provide an overview on the cultural circumstances on our case cultures providing a foundation for analyzing the companies CSR related policies and practices. With China and the African cultures being closer to one another on three of the five dimensions, we agree on them having a higher chance of successful cooperating because they are more likely to understand each other and associate themselves with one another. Furthermore, since China is still a developing economy itself, we believe it has a better understanding on needs of the African societies in terms of improving and constructing infrastructure, as described in more detail later on. Although, for arguments sake, China can also be seen to act selfishly, as the infrastructure is needed to transport goods within Angola, and thus their motivation for construction is more for convenience than for the people of Angola. However, whichever the reason is, we feel there is a better connection between China and Angola over Norway and Angola in terms of cultures.

4.3 Stakeholder Hypothesis

Figure 6: Relevant Stakeholders

Level of Stakeholder Salience	Statoil	Sinopec
1 Dormant (Power)	Media	
2 Discretionary (Legitimacy)	Environmental, Human Rights, & other international Organizations	
	Angolan workforce	
3 Demanding (Urgent)	Victims of operations	
	Lone demonstrators	
4 Dominant (Power & Legitimacy)	National government in home state	
	Employees, Customers, Owners, Inverstors	
	OPEC	
	Angolan government	
5 Dangerous (Power & Urgent)	Terrorist Groups	
	Angolan Elite	
6 Dependent (Legitimacy & Urgent)	Inhabitants & Environment in the area of operations	
7 Definitive (Power & Legitimacy & Urgent)	-	
8 Non-Stakeholder	Future generations in Angola	
	Norwegian Pension Fund and its dependencies	Future Chinese generations

Source: Constructed by the authors based on aforementioned theory and discussion

Within the context of the oil and gas industry in Angola, we have defined the relevant stakeholders in terms of Statoil and Sinopec, based on what we feel they need to consider from their operational perspective.

1. Dormant (Power)

Media is defined to be a Dormant Stakeholder since it holds the attribute of power. Media has power through its visibility to the public, yet since their goal is to sell more papers, they will disclose any information that is of interest to the general public. This action makes them powerful because they can give power and attract awareness (urgent) to (2) Discretionary, (3) Demanding or (6) Dependent groups of stakeholders. However, the media has a selfish goal with disclosing information as they often do it for the bottom-line, rather than because of journalistic intentions (Cornelissen, 2011)

2. Discretionary (Legitimacy)

Environmental, Human Rights, and other international organizations are placed as Discretionary Stakeholder who hold the attribute of legitimacy. Some examples in this group include Greenpeace, Amnesty, United Nation, World Bank, World Trade Organization, International Monetary Fund and the International Association of Oil and Gas Producers. They are regarded as entities that attempt to enforce global standards although what they do is mainly by offering guidelines/recommendation without the power of real laws or regulations. They hold legitimate concerns in their subject area but with no real legitimate power to enforce it.

The Angolan workforce is also regarded as a Discretionary Stakeholder. Their legitimate concern is employment and hence the well being of themselves and their families. However, their lack of power in the aspect, which manifest in working contracts being largely contracted to foreign companies and their deficiency in education, experience or qualifications. This is based on the assumption that there are no worker’s unions in Angola to support their claims like the unions do in the Western societies.

3. Demanding (Urgent)

Victims of operations perceived to be the individuals who are hurt by the operations of Statoil or Sinopec either directly or indirectly, although we would argue that neither of the companies would intentionally hurt anyone. They are the Demanding Stakeholders which requires urgent response from the companies. An example would be a situation where an international oil company that constructs a pipeline across the country and they compensated the villages that are closest to the operations by providing monetary subsidies and infrastructure, or relocation them. These actions, however, can lead to a series of village attacks from villages that were further from the operations, because they may think that it is unfair that they do not get compensated. This leads to the discussion on to what extend should the oil companies be responsible for the local communities.

Lone demonstrators are people that are affected by or have personals claims with regard to the oil companies’ operations. They are also classified as Demanding Stakeholders as they have no support from any organizations with power. They are merely an annoyance until they eventually gain other attributes (Mitchell et al., 1997).

4. Dominant (Power & Legitimacy)

National government in home states refers to the Norwegian and Chinese governments and their claims towards their nation. They are regarded as Dominant Stakeholders since they hold both power and legitimacy. Their objective in this aspect is to ensure continuous supply of energy and income to their citizens, as well as offering social benefits through welfare institutions. They hold the power because both international oil companies are considered as 'State-owned enterprises,' since they are partly owned and influenced by the national government to a variable extent. They also hold legitimate claim as shareholders and as taxing authorities.

Employees of the two Statoil and Sinopec are defined as Dominant Stakeholders. They hold legitimate claims since they need a sustainable job in order to support their own and their families' well-being. They also hold the power because they can go on strike and set demands to their employers, especially when they have support from labor unions in the Western context like Statoil. Considering the Chinese culture, we would argue that Sinopec's employees would not go on strike. However, they can also protest more discretely or passively if they choose to do so to try get their point across.

Customers consist of the recipients of the raw or refined oil and gas products but not of the end-consumers of the energy. They are the Dominant Stakeholders since they have the power to negotiate which type of products they would like to buy and how the product would need to be refined to fit their own needs, requirements, and/or purpose. They also have the legitimate claim for getting appropriate materials in order to produce goods that are not dangerous or harmful to the end-users.

Owners and investors are considered to be the Dominant Stakeholders because they hold the interests in both the growth of revenues, which translate into dividends as well as the sustainability of the business in order to receive dividends continuously. Their power comes from their voting rights and simultaneously they hold legitimate claims to the dividends from the capital they have invested on the company.

The Angolan government is regarded as a Dominant Stakeholder because it holds both power and legitimate claims. They possess the decision power to allow entry/operations to the international oil companies by signing contracts with them. The Angolan government is interested in the employment of its local workforce and also the well being of the country as a whole. This legitimate claim is further backed up by the power they possess. On one hand, the international oil companies can provide additional income to the government since it is entitled to tax the oil revenues, and construction companies on the other hand, provide means for improving the infrastructure, and the societal conditions as a whole.

The Organization for Petroleum Exporting Countries (OPEC) is also a Dominant Stakeholder. It has the power to control the global oil price through the majority of international suppliers being its members. They do not make laws or regulation for the industry, but they are large enough and possess the power to enforce ‘industry standards’. Simultaneously, they have legitimate claims to protect its members and their revenues through the power they have in numbers.

5. Dangerous (Power & Urgent)

Terrorist group are regarded as Dangerous Stakeholders who have power and (relatively) urgent claims. An example of representatives of this group are Somalian Pirates who often attack and hold hostages of the ships en-route to China. This group does not hold any legitimate claims towards the companies; however, they can be very dangerous and therefore caution is needed with the group. Although, it should noted that their presence should not be be the main factor influencing decision-making processes.

The Angolan Elites are also defined as Dangerous Stakeholders. They are likely place their personal interest over the well being of the entire Angolan society and this can in turn harm the overall economy. They have power by their presence and positions in the Angolan government, while they also have urgent claims on their personal gains and interests. This is harmful to the Angolan society as a whole, since the resources that could be used to improve the society and economy end up benefiting the Elites’ personal gains. This will also harm the reputation of the Angolan government because of the ‘unethical’ behavior and can lead to increased reluctance from international organizations and other entities from giving aid and providing loans for development. Arguably, businesses are more willing to cooperate with the corrupt government, as they need access to the natural resources in Angola.

6. Dependent (Legitimacy & Urgent)

Inhabitants and the environment in the area of operation are defined as the Dependent Stakeholders. They hold the legitimate claim because it is they who are affected more directly and severely by the operations. Some examples of the damage include loss of homeland and ecological/biodiversity balance within the area of operation. However, they are in need of power to be properly recognized and considered by the companies. There are international organizations that provide guidelines/recommendations and the Angolan government can choose to opt-in and incorporate them in their legislation to secure the rights of the people and the sustainability of the environment; however, the adaptation and implementation of the more social legislation can be seen to battle the bottom-line of business operations by i.e. hindering or slowing them down.

7. Definitive (Power & Legitimacy & Urgent)

Currently, there are no stakeholders with all three attributes. However, they can emerge from the (4) Dominant or (6) Dependent Stakeholders because it is easier for them to gain one more attribute compared to other stakeholders possessing only one attribute, or none at all. It is worth noting that the (5) Dangerous stakeholders are not included as possible (7) Definitive Stakeholders although they need to be handled cautiously. This because they should not influence the decision making process due to the nature of their claims.

8. Non-stakeholders

Future generations of Angola belong to this category because they are not the main concern for the time being. If current generations are well considered, the future generations might not even be affected. This category can be argued to mainly concern the environment and its resources, which are vital sources of money to the stability and development of the society i.e. education, workforce, economy, and government stability and reliability.

Norwegian Pension Fund and its dependencies are also considered Non-Stakeholders. As the fund will diminish in the future, i.e. ‘decreasing’ supply, increasing retired population, this may affect the ultimate recipient of Statoil’s oil revenues though the Norwegian government and its welfare programs. Results can take the form of restructures in the work-life structure where younger generations are required to work longer in order to support the older, or possibly receive smaller pensions than the retired generation is presently receiving.

Finally, the future generations of China are also considerd Non-Stakeholder as they might have a claim on the increasing demand for energy and employment in the future. However, for the time being they can be perceived as a major source of income for Sinopec considering the extensive, and rising, energy demand in China.

4.4 Case Studies

We will now proceed to our case companies' introductions, operations and their engagements in Angola. Firstly, we will introduce the companies' histories, their structure, and the influence that their home states have on their operations. Following this, we will proceed to the main focus of our thesis by analyzing their CSR related policies and engagements.

4.4.1 Company Introductions

4.4.1.1 Statoil

Statoil was founded during the early history of the Norwegian oil industry, and the cumulative oil discoveries have risen substantially after Statoil was set up (Appendix 7). The history of Statoil illustrates the impact of the maturing oil sector on a national oil company's development and challenges it has faced.

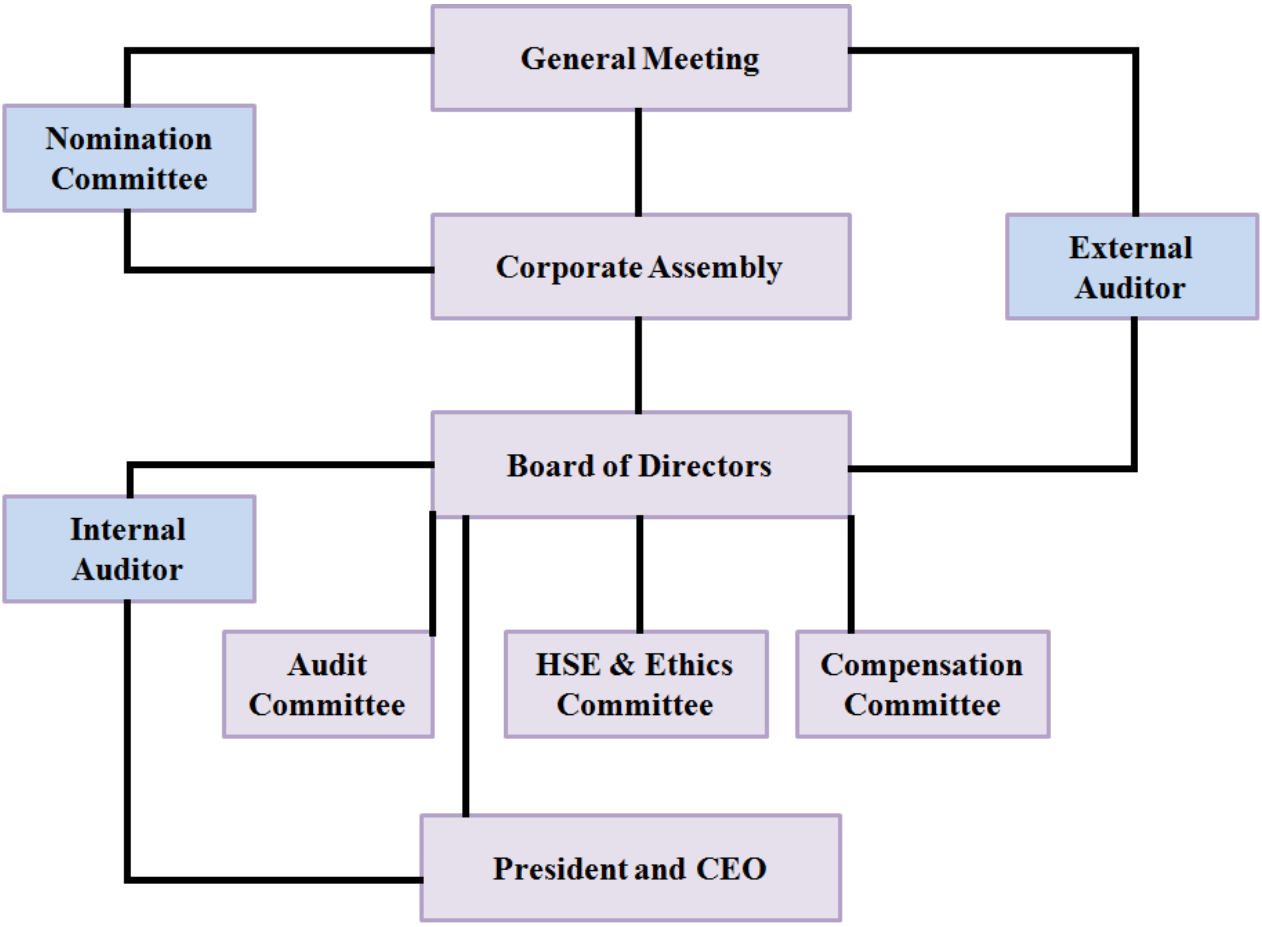
Statoil was established in 1972 and exercised its role as the operator in major Norwegian oil and gas development projects in 1981. With the founder's idea of a state-owned national oil company by the Labor party in Norway, the company's main fundamental functions were *"to manage the state's equity interest in oil and gas licenses and pipelines"* and *"to serve as a conduit for technology transfer and economic development"* (Gordon & Stenvoll, 2007:15). In the summer 1999, Statoil proposed for reorganization of its ownership as a way of maintain its competitiveness to international oil companies and also other national oil companies. Statoil was listed in Oslo and New York stock exchanges on June 18th, 2001. In the years after the privatization, its functions shifted more towards *"international diversification," "to intensified shift to natural gas within its Norwegian operation,"* and *"to increase investments in the downstream operations"* (ibid.:17). This shift is supported by earlier presented theory (Chang, 2004), which proposed adequate government control and the SOE operating within a competitive industry as one of the reasons for privatization.

In the early 80s, the political power that was held in the senior management of Statoil was influential because Statoil acted as an employer and it had the ability to control or lobby decisions in national politics due to the close relationship of the senior management with regards to the national politics (Gordon and Stenvoll, 2007). Statoil was required to use domestic firms in the development as the major operator of oil and gas industry in Norway. As Statoil was responsible for most of the operations, it held the decision power in determining which contractors and subcontractors to use; leading to a situation where Statoil could choose which group to be privileged. Before its privatization on June 18, 2001, Statoil was thought of as the government's tool in domestic oil policy. As Norway entered into the European Economic Area (EEA) agreement with EU, the Norwegian state could no longer require Statoil to use local domestic firms' as operators (EFTA Surveillance Authority, 2002). This indicated that Statoil no longer needed to take the responsibility on the Norwegian policy of industrial development.

Furthermore, in December 2006, a merger between Statoil and Norsk Hydro was announced. The merger required approval from the EU under the EEA regulations, which approved the merger on May 3rd, 2007. The Norwegian Parliament, Stortinget, also approved the merger on June 8th the same year. Statoil's holding of the new company, Statoil ASA, are 67.3%, with Norsk Hydro holding the remaining 32.7% of the new company. Post-merger, the Norwegian government's share of the combined company is 67% of the shares (The Norwegian Petroleum Directorate, 2011). As a majority owner of the privatized Statoil, the Norwegian government still retains considerable voting rights in the shareholder meetings, in addition to the state regulations it can impose on the industry (Goldstein, 2002).

Presently, the corporate governance of Statoil consists of two main management parties: the corporate assembly and the board of directors. The corporate assembly is the entity, which has approval power over the formation of Statoil's board of directors. With regard to the Norwegian Company Law, Statoil's employees are also entitled to elect three board members as deputy members and the other seven board members are elected by the shareholders, forming the total of ten members of the board (Statoil, 2012b).

Figure 7: Statoil's Corporate Governance Structure



Source: Figure based on information from Statoil (2012b)

In addition to having the rights to influence on the constitution of the board of directors, as a majority shareholder the Norwegian government, through the Norwegian Minister of Petroleum and Energy, can control decision made in the general meetings as the majority shareholder. However, they must act according to The Norwegian Code of Practice for Corporate Governance without harming the interests of other shareholders. (Statoil, 2012e) This would indicate that the Norwegian government does not pursue its selfish needs as a state, but rather participates as a shareholder with interest on Statoil's bottom-line. Although, it could be questioned how the government is able to set aside its own agendas when voting on matters in the shareholder meeting, we assume that there are recommendations, regulations, and laws in place to guide the decision-making. Being that Norway is considered a welfare state, its regulations can be expected to be drafted to consider details and avoid loopholes to prevent bending of rules and regulations. Furthermore, with the government's majority holdings on Statoil, it is expected to be under constant surveillance from different entities - i.e. EU, EEA, and even the management of Statoil - which increases transparency and decreases the possibility of acting on governmental self-interest. An example of this could be argued to be the privatization of Statoil in 2001, which enabled Statoil to cooperate more with non-Norwegian enterprises in accordance with EEA reguations, increasing its competitiveness in the global oil industry.

Oil has always been important to both Norway and the Norwegian Government since its discovery in the Norwegian Coast in 1969. With the discovery of oil and the revenue gained from it, the Norwegian government was enabled to increase its social services, pensions, and public employment. The government proceeded set up three socio-objectives in order to benefit the national community: (1) to attain full employment, (2) to achieve greater equality through the redistribution of wealth, and (3) to expand the welfare state (Martinsen, 2011). Additionally, the government also provides large amounts of subsidies to the development of agriculture and industries. In order to better manage the oil revenues, the government set up the Norwegian Pension Fund. Two of the main purposes of the fund are to (1) avoid over inflation of the economy and (2) to save the wealth for when the oil reserves run out (Norwegian Ministry of Finance, 2012). With this active management of the oil revenue, Norway set a good example on avoiding the resource curse or the Dutch disease, and further successfully uses the oil revenues to serve the Norwegian community. Oil revenue to the Norwegian government can be classified in three main categories: (1) tax and obligations paid by any oil companies that are exploring in Norwegian territory, (2) the net earnings from the Norwegian production in the State's Direct Financial Interest (SDFI) holdings, and (3) the dividends from Statoil (Appendix 8). The SDFI refers to the Norwegian government's own portfolio of state owned licenses of exploration and production held in the Norwegian Continental Shelf (NCS). This arrangement is especially applicable to Statoil since it requires splitting of Statoil's shares in licenses, with Statoil retaining a half and SDFI the other half of the licences (Ministry of Petroleum and Energy, 2012).

4.4.1.1.1 Statoil Operations in Angola

Statoil's operations are currently divided into four different sectors: (1) Development and Production Norway, (2) Development and Production International, (3) Marketing Processing and Renewable Energy, and (4) Fuel and Retail (Statoil, 2012a). Development and Production mainly consist of downstream activities and are responsible for the commercial development of the oil and gas portfolios within the geographical areas. Statoil's main operations are dominated by exploration, extraction, and production, but it is also building on its worldwide presence with operations in 36 counties. The distribution of international production of the ten most explored countries by Statoil is shown accordingly (Appendix 9), of which operations in Angola constitute the largest share.

The three key deepwater blocks in Angola and Statoil’s alliance with Sonangol and other corporate partners such as BP and ExxonMobil illustrate Statoil’s working interest in Angola. Sonangol E.P., the Angolan state-owned oil company, manages the development of Angola’s oil and gas, and governs the alliance work in Angola through Production Sharing Agreements (Sonangol, 2012a).

Statoil has been involved in extensive exploration activity in Angola since 1991. It has participated in 13 licenses in all major basins, and has additionally joined approximately 150 exploration and appraisal wells. According to Graue, an exploration manager from Statoil, Statoil’s license portfolio in Angola currently involves (1) partnerships with eight cluster developments in Angola, producing eight FPSO units (floating production storage and offloading), (2) on-going field developments – twelve FPSO within a few years, and (3) Statoil being nominated for two operational contracts in Kwanza bid in 2011 and three partner-operated blocks (2011). The daily production of Statoil in Angola in the past and the future projection are presented in Appendix 10.

All in all, we have provided information regarding Statoil’s background, its corporate structure, and the state involvement in its operations. We would like to introduce our second case company in the following, the state-owned oil enterprise in China - Sinopec.

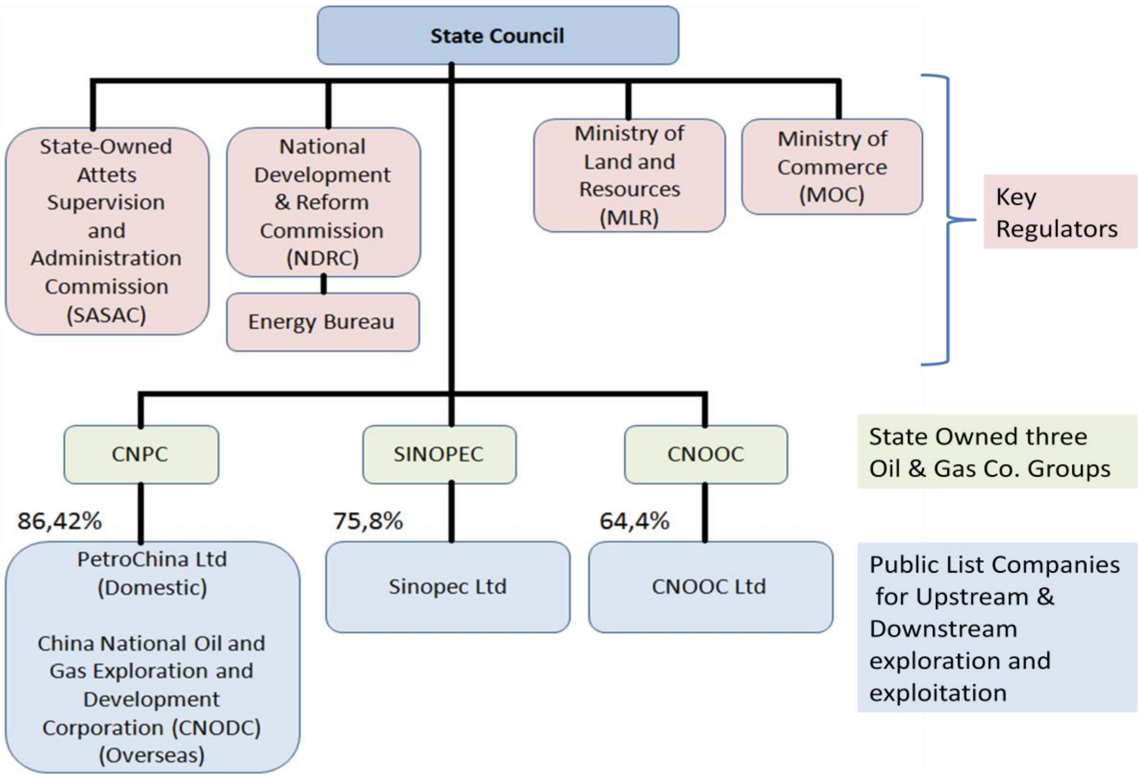
4.4.1.2 Sinopec

Our other case company Sinopec, China Petroleum & Chemical Corporation (中国石油化工股份有限公司), is a chemical and energy company that has operations in up-, mid-, and downstream sectors. Sinopec Corp is one of the largest integrated energy and chemical companies in China, with its operation covering a wide range of areas, in which the core scope includes (1) oil and gas exploration and production, (2) extraction, (3) oil refining, (4) import/export agency business of crude oil, and (5) development and application of technology. Sinopec is the largest producer and supplier of refined oil product (gasoline, diesel) and major petrochemical products in China. Additionally, Sinopec Corp is the second largest crude oil producer in China - the first being the Daqing oilfield under CNPC operations. In 2000, the government controlled China Petrochemical Corporation (CPC) incorporated Sinopec Corp to form a new, large enterprise identity, the Sinopec Group. It is referred to in Sinopec’s website as “*a state-authorized investment institution and state holding company*”. However, although Sinopec Group ownership belongs to China, Sinopec Corp (here on: Sinopec) is still listed in Hong Kong, New York, and London Stock

Exchanges in 2000 and in Shanghai Stock Exchange on 2001 (Sinopec, 2012a). This is to make the stock available to not only domestic investors (stocks listed on Shanghai stock exchange), but also to non-Chinese investors (stocks listed in HKEx, NYSE, and LSE).

To better understand the history of Sinopec, it is important to note the development of Chinese oil industry. Previously, little was known on when the oil companies started development in 1960s until the implementation of the 'open-door policiy' in the 80s. There are three main oil companies in China, of which the China National Petroleum Corporation (CNPC/ 中国石油天然气集团公司) and China National Offshore Oil Corporation (CNOOC/ 中国海洋石油总公司) were established in the 80s, and Sinopec, established in 1998. The Chinese government restructured the oil industry through redistribution of assets and reorganizing the entire supply chain and responsibilities of the three enterprises in 1998 (Houser, 2008). CNPC was specialized in onshore operation, CNOOC focused on offshore operation, while Sinopec focused on operating as a downstream company before. After the restructure, all the oil companies were presumed to be operating independently with the minimal influence from the government and they were to compete with each other. An organizational chart (Figure 8) of the Chinese oil industry shows that the three companies are directly under the State Council's control (Guo, 2010).

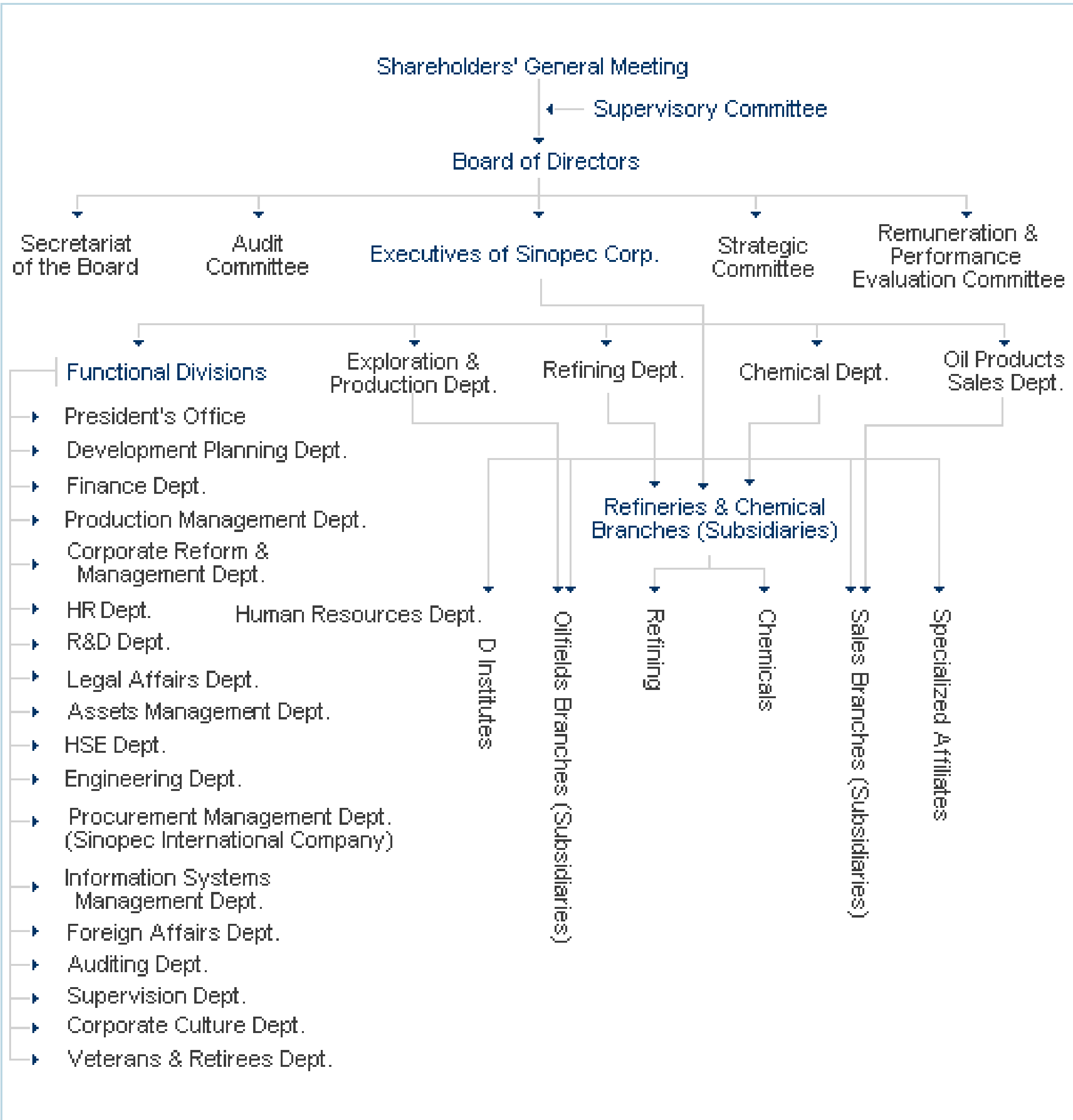
Figure 8: Organizational Chart of Chinese State-Owned Oil Companies



Source: Guo, 2010

The organizational chart of Sinopec Corporation is shown in the following Figure 9. The board of the company consisted of 15 members of which 11 are executive directors and the remaining four are non-executive directors. Every three years, the company holds a shareholder's general meeting where the directors are elected. The candidates for the executive directors are nominated by Sinopec's board of directors, the supervisory committee, and by shareholders who hold more than 5% of the company's voting shares (Sinopec, 2012b).

Figure 9: Organizational Chart of Sinopec



Source: Sinopec, 2012c

The three oil companies are technically fully owned by the Chinese State. Although the three oil companies are presumed to work independently and receive the least influence from the State government. They are under supervision of several state regulators i.e. the State-Owned Assets Supervision and Administration Commission (SASAC) and the National Development & Reforms Commission (NDRC) (Houser, 2008). These regulating organizations are in accordance with one of Chang's (2004) reasons for privatization: state ability to retain control through regulations. Furthermore, although Sinopec stocks are available in stock exchanges outside of China to access a "*well developed capital market that makes it easier to sell the SOE shares*" (ibid: 18), the fact that the Chinese government retains control over operations through the various regulatory organizations ensures minimal influence from non-Chinese shareholders. Although there are no sources available to disprove that the three oil companies would not be engaging in competitive actions with each other, we feel it is appropriate to assume that with the companies initially having had their own focus in operations. Ultimately the companies are operating for their own bottom-line, all the while meeting the increasing energy demand in China, and although they might operate the same market their operations might not necessarily take place in the same area.

The Chinese economy has been growing in the past decade with a constant double digit GDP growth, which has had a deep impact on the energy consumption level of the Chinese population, exceeding 1.3 billion in 2010. Due to the increasing energy consumption, oil has become the second most important energy source, only surpassed by the usage coal while China has become the second largest consumer of oil (EIA, 2010) (Appendix 11). According to EIA, which reports China's oil production and consumption levels from 1991 to 2011, it is indicated that the production of oil in China has not been able to keep up with the consumption since 1993, meaning that net import of oil from other countries has become necessary to meet the demand (Appendix 12). This dependency on other countries has made the Chinese government very active with 'Oil Diplomacy' (Zweig & Jianhai, 2005). Some practices include using the national oil companies or providing economic and political support to secure the oil supplies. In some oil producing countries, China has strengthened the diplomatic relationship by providing large amounts of loan.

4.4.1.2.1 Sinopec Operations in Angola

When Sinopec entered the agreement for partnership with Sonangol in 2006, they formed a new entity called Sonangol-Sinopec International (SSI) for the development of Angola's second largest refinery in Lobito (Idun-Arkhurst & Laing, 2008). Sinopec has reported to own 55% of the USD3 billion project while Sonangol hold 45% of the project. With this partnership, Angola became the largest exporter of oil to China in 2006, surpassing Saudi Arabia.

According to a Sinopec press release on March 2010, Sinopec took part in the company's first overseas acquisition of upstream assets. Sinopec acquired 55% of the Block 18 shares in Angola through SSI, confirmed by the article by Africa-Asia Confidential (2011). In February 2011, China Sonangol, a wholly owned subsidiary of Sinopec, won three deep sea equity concessions in Blocks 19, 20, and 38, in addition to its existing shares in Blocks 3, 31, and 32. SSI currently holds stakes in Blocks 15, 17, and 18, which are the three major deepwater oil asset blocks with the highest reserves and production volume of the projects of similar type (ibid.).

Further on the discussion regarding the two central case companies, we would like to investigate the companies' Corporate Social Responsibility policies and their corresponding action in the operations in Angola. This will provide insights on the responsibilities that the two companies hold towards the community in which they are operating in and which CSR learning/development stage the two companies are in with regards to their actions.

4.4.2 CSR Policies & Practices

This section will focus on presenting the case companies' CSR related policies and practices, which we will analyze from the perspective of the culture in the country of origin. The company policies will be presented individually, followed by analyses, and finally concluding on the companies' level of CSR learning stages.

4.4.2.1 Statoil's Policies

Statoil has divided its corporate social responsibility into two main categories: the Ethics Code of Conduct (ECC), and the Health, Security and Environment policy (HSE) (Statoil, 2012c). Through Statoil's policies, it can be seen that it holds comprehensive code in ethics and HSE standards.

4.4.2.1.1 Ethical Code of Conduct

The main purpose of the ECC is to demonstrate "*Statoil's commitment and requirements in connection with issues of an ethical nature that relate to business practice and personal conduct*" (Statoil ECC, 2010: 7) and is applicable to everyone within Statoil, hired by Statoil or those who act on behalf of Statoil. The ECC requires individuals to not only comply with the relevant laws and regulation, but also to act in "*an ethical, sustainable and socially responsible manner.*" (ibid.) This statement can be viewed as something, which allows – if not obligates – Statoil to practice its own ethical standards even if some matters are not considered in the country of operations' legislation. Furthermore, it can be viewed as an example of high level of institutional control from the perspective of institutional economics, according to which lack of regulation facilitates opportunistic behavior (Campbell, 2007), which can be argued to be technically impossible if operating within Statoil's own standards and regulations. Individuals are not only encouraged but expected to take responsibility to exercise good judgments when they face ethical issues. Individuals are expected to behave impartially in their actions and respect human rights as all times. Every member has the responsibility to file a report if they suspect misconduct from its subordinates. Managers are expected to ensure any parties that are in cooperation with Statoil also fulfill the company's ECC with regard to this aspect before signing a contract.(Statoil ECC, 2010)

In terms of accounting and reporting, Statoil holds high ethical standards and expects everything in the books to be recorded correctly. This is described extensively on Statoil's stance against bribery. The major priorities Statoil has on bribery are public officials, which constitute of any officers or employees of a government, department or an agency or any individual group that acts on behalf of a government or its entity. Statoil does not accept any form (both receiving and giving) of payments to support corruption, even when the matter poses a threat to one's health or life. All payments are required to be correctly described in financial documents. In addition, Statoil also expects the moral conduct from its suppliers, partners, customers, and other intermediates to a similar high standard. Through this kind of cautious behavior and maintenance of accurate records, Statoil believes that this ensures its transparent reputation and that it can be trusted.

Statoil, however, allows lobbying in order to influence both public and private sectors. The constraint is that the individual fully discloses and makes clear to the receiving party, which Statoil wishes to influence and that they are representing Statoil. In addition, the company may participate in political public debate when it is in the interest of Statoil, but the ECC prohibits any forms of support of political parties or individual politicians.

4.4.2.1.2 Health, Security, & Environment Policy

The HSE policies are also presented by Statoil, although less extensively than the ECC. Additionally, Statoil has also published extensive environmental sustainability reports on yearly basis starting from 2001. Statoil states in the HSE policy that it operates responsibly for its own and for others safety and security. Operations are conducted in a manner that protects people, environment, communities, and other assets. Statoil practices active risk management because they believe that "*all accidents can be prevented*" (Statoil HSE, 2007). The same action is also performed through cooperation with various partners, involving employees in the planning process and also constant monitoring of their health with respect to job-related risks.

Regarding the environment, Statoil's goal in terms of climate is to "*develop profitable business that leads to sustainable energy production*" which includes wind power, tidal energy, methane gas from landfill sites, and biomass etc., while Statoil's environmental goal is stated to be an "*ambition is to remain an industry leader in terms of having a low climate impact in each of the activities in which we are engaged.*" (ibid.). Addotionally, Statoil actively promotes effective carbon emissions trading and carbon sequestration in its operation, which involves mitigating carbon emissions to the atmosphere.

Altogether, Statoil's ECC and HSE policies are simultaneously vague and largely restrictive, which sounds like an extreme contradiction. Both of the documents provide an overall guideline as to how to operate responsibly, with the ECC going into more detail in respect to transparency, bribery, and influencing external parties by providing more practical examples. In relation to the Power-Interest matrix of keeping stakeholders informed, these documents can be considered transparent by offering extensive information for parties with high interest – i.e. employees, future employees, investors, etc. – towards the company's social responsibilities.

The credo of both documents can be argued to be in accordance with both the moral teachings of the Judeo-Christian religion, as well as with Plato's, Kant's, and Bentham and Mill's philosophical teachings of 'doing good' and 'the right thing to do.' Furthermore, as the concept of capitalism 'originates' from the West, in the case of Statoil's aforementioned policies it can be argued to have developed into a form of Sophisticated Capitalism. This is well represented by Statoil's ECC and HSE policies, in which the bottom-line of business is not the sole operational goal but rather being aware of the Capitalism's Achilles heel by taking into consideration the need for sustainability of the operations as well as the development of the society in the country of operations through setting an example.

4.4.2.2 Statoil's CSR Efforts

Although Statoil's ECC and HSE policies do not touch upon specific CSR actions in countries of operations, according to Sebastião (2009), the Deputy General Manager of Statoil Angola, Statoil has a five years Corporate Social Responsibility plan in Angola (Appendix 13). The plan involves four major areas that reflect the most urgent needs of Angola, including: (1) "*education & capacity building*," (2) "*community development: water and sanitation, health in suburban and rural* *communities,*" (3) "*human rights & good governance*," and (4) "*environment and HSE*". These goals are set up based on Statoil's business goals, the Angolan context, and expectations from the Angolan government, the communities, and Statoil's partners and employees (ibid.).

With regards to the education and capacity building of the area, Statoil aims to fight the lack of sufficient, qualified staff in the Angolan workforce. In cooperation with the Christian Michelsen Institute (CMI) – an independent research institute for development and justice – and the Norwegian University of Science and Technology (NTNU), Statoil provides 'competence and capacity building' in Luanda with regards to governance. Furthermore, Statoil is also cooperating with the Development Aid from People to People (ADPP / Ajuda de Desenvolvimento de Povo para Povo) and UNICEF to provide rural teachers training and school facilities in Kwanza Sul and Bië areas.

For the community development, Statoil's CSR plan targets to reduce the level of poverty and to mitigate the risk for instances of social unrest. Statoil supports several CSR project in this aspect, i.e. the Piri project, which involve development of schools, health, water, solar panels, and agriculture in Bengo; a project for promoting awareness on HIV/AIDS in Bengo and Benguela in cooperation with ADPP; and a project with Norwegian Church Aid to provide safe water supply in Kwanza Sul and Cuene areas.

Furthermore, Statoil promotes peoples' rights in accordance with the corporate CSR policies, allowing mitigating harmful impact on Statoil's business and reputation with respect to good governance practices. Statoil is working in partnership with the Norwegian People's Aid (NPA) in the area of demining land release and empowerment of civil society in Kwanza Sul and Malange. There is also a project in cooperation with Adventist Development and Relief Agency (ADRA) to promote the right for education in Huila.

With regards to the environment and HSE aspects, Statoil aims to promote awareness on environmental issues that can have a negative impact on the communities, and the fauna and flora in the area of operations. Additionally, Statoil aims to disseminate good practices to ensure safe operations. The company is working in cooperation with Rogaland Training & Education Centre (RKK / Rogaland Kurs og Kompetansesenter) for a safety centre in Kwanza Sul, which involves education of a range of disciplines in the oil and gas sector. For a summary of Statoil's five years CSR plan and the list of projects supported by Statoil, see Appendices 13 and 14.

Based on the CSR literature, IOC's cannot be rated to be at the top of Carroll's (1999) Levels of CSR hierarchy due to the nature of the industry. Although with respect to the aforementioned CSR policies on the Macro-level and most of all the actual Micro-level efforts, Statoil can be evaluated to have fulfilled requirements for the Ethical Responsibility –level. However, with respect to Zinkin's (2004) argument on many of the CSR policies and practices within the international oil industry being rather a license-to-operate than taking place due to ethical responsibility or altruistic motives, Statoil's place within the hierarchy would be closer to the Legal Responsibility –level. However, within the CSR Learning Stages –theory Statoil can be undisputedly placed at the very top in the Civil Stage due to its efforts of attempting act as the industry leader by setting the highest industry standards on CSR engagements.

Furthermore, Statoil's Five Year CSR plan for Angola contains the four aforementioned core areas of focus, roughly covering the aspects: education, community development, human rights, and environment. The plan clearly shows that Statoil is addressing i.e. the lower levels of education, building infrastructure, and increasing awareness on human rights issues as well as importance of environmental protection (Appendix 13). These actions appear to fully support the development of the Angolan society, while Statoil extracts Angolan resources, and can in a way be interpreted both as sustainable development as well as a form of paying it back to the society.

4.4.2.3 Sinopec's Policies

Similarly to most international corporations, Sinopec also includes Health, Safety and Environment policies in their corporate governance. It is employing an ideology of "Making every drop count" as a commitment in regards to corporate social responsibility efforts since the 2010 Sinopec's Quality Work Conference. According to Sinopec, "Every drop" refers to Sinopec's branded fuels, services and other products offered by the company. It aims to not only produce good quality products, but also to deliver standard quantity, safe, and environmentally friendly products to its customers and the community. 'Making every drop count' is the theme of Sinopec's responsibility based management framework. Sinopec have introduced the 'six-dimension responsibility management,' in 2010, which includes (1) Responsibility Strategy, (2) Responsibility Governance, (3) Responsibility Integration, (4) Responsibility Performance, (5) Responsibility Communication, and (6) Responsibility Research (Sinopec CSR report, 2011). Sinopec has produced two reports each year from 2008 to 2010 – the Corporate Social Responsibility Report and the Sustainability Report. However, it should be noted that the content of the two reports is identical, with both highlighting policies and achievements based on the six dimensions.

In 2010, Sinopec also founded a China CSR Research Center in cooperation with the Chinese Academy of Social Sciences (CASS). CASS was founded in February 2008 and according to its website, it is "*China's only state-level research institution and the top-level theoretical research platform in the field of CSR*" (CASS, 2009). Huang Wensheng, the head of secretariat of the board of Sinopec, is among one of the vice presidents of executive council of CASS (ibid.). One of the greatest achievements of the cooperation up to present has been that it has supported China's CSR rating system by initiating the CSR report-rating program among other Chinese companies (Sinopec CSR report, 2011).

According to the CSR Research Center, Sinopec introduced five innovations in responsibility management in 2010: (1) *"Sinopec collected over 5,000 CSR ideas across the company and general public,"* (2) *"Sinopec applied the 'six-dimension' CSR framework and incorporated social responsibility into the corporate strategy and operation,"* (3) *"Sinopec set up China CSR research base in partnership with CASS,"* (4) *"Sinopec explored the theories and management approaches on CSR when compiling research documents,"* and (5) *"Sinopec supported China's CSR rating system by initiating CSR report rating program among Chinese companies"* (CASS, 2009:8). With reference to the report on China's Top Firms' CSR Index in 2009, Sinopec ranked 14th over the 299 top Chinese enterprises being ranked. This index is based on three main criteria: (1) social responsibility, (2) environmental responsibility, and (3) market responsibility (ibid.).

Sinopec's Corporate Social Responsibility –report highlights some specific aspects, i.e. it has strict corporate governance policies regarding compliance, internal control, audits, discipline investigation and supervision on open business management, and on anti-corruption and anti-monopoly. This includes policies requiring all employees to strictly follow the law and regulation with social morality and business ethics; Sinopec has further signed 'the Agreement on Adhering to Business Ethics' with suppliers to fight against commercial bribery (Sinopec CSR report, 2011).

Sinopec's CSR policies reflect the collectivistic characteristics of a Chinese Society. One of the key principles of Confucius being the virtuous behavior towards all parties involved, which is reflected upon in Sinopec's CSR policies, which aim to mutually benefit both Sinopec and the place of operations. Furthermore, according to the Buddhist philosophy, one should hold a non-violent stance towards all living things and further maintain an intimate relationship with everyone involved. Sinopec's 'six-dimensions of responsibility management' attempt to further cover all aspects of CSR, which indicates a high level of incorporating CSR in its operations. However, they can alternatively be argued to merely be in place to meet the industry standards – i.e. license-to-operate – rather than reflect upon their actual ethical efforts. Thus it is necessary to also view the actual engagement into CSR projects in Angola.

4.4.2.4 Sinopec's CSR Efforts

Sinopec has produced a CSR report specifically on its overseas businesses. The two main convictions of "Good faith, Compliance, Cooperation, and win-win" and "Contribute to local Economic Growth" are upheld in Sinopec's international cooperation (Sinopec CSR report, 2011: 5). In order to better integrate employees from different countries, the company has adopted cross-cultural management policies under the condition that both parties share basic values. It also mentions principles of engaging local personnel in order to attract international talents. The report also highlights paying back to local communities by (1) protecting the environment, (2) supporting major projects for people's wellbeing, and (3) devotion to public welfare undertakings. (ibid.)

Despite the comprehensive CSR policies on Macro-level, no specific details on Micro-level CSR projects or actions with regards to Sinopec's commitment in Angola were found. However, this should not be seen as an indication of CSR actions not taking place, but rather working in accordance with the general Chinese culture, which has a limited context or conception on transparency compared to the West. For example, during a seminar in CMI (Fall 2011), a guest lecturer spoke of having obtained official governmental information regarding Chinese aid to Africa; however, the means at which the information was received by the lecturer were based on a long standing personal relationship with a government official and thus the information is not at our disposal for our thesis.

Although little is known of Sinopec's actual CSR projects taking place in Angola, based on the company's CSR related policies, Sinopec can be argued to fulfill the requirements of Legal Responsibility within the Levels of CSR (Carroll, 1999), which is where most IOCs are placed. However, Sinopec arguably placed on the Managerial Stage of CSR Learning Stages due to the fact that it has integrated responsible business practices into its daily operations. Furthermore, though they attempt to include the importance of social issues within their operational guidelines, in our opinion they fail to truly integrate policies on the social issues within the community in which operations take place. Alternatively, the lack of information on CSR efforts can very well be due to the lack of transparency in Sinopec's operations and publications, which – as we mentioned earlier on – is perhaps a reflection of China still being in the process of truly opening up to the world. Arguably, the lack of transparency further manifests in the overall lack of publications from Sinopec in any form, which according to the Power-Interest -matrix would indicate that the company does not consider any stakeholder to have a very high interest on the company operations. We would however disagree, since China was a rather closed society for a long time and is still in the process of opening up, still learning and adapting the Western transparency ‘standards.’ In our opinion, China is by no means intentionally withholding information, but rather their definition of important information for stakeholders that need access to the information differs from what the West expects and thus leads to a situation where the information is not readily available to the general public.

4.4.3 State Relations, Aid, and Other Support

Due to both our case companies being either majority owned by their home states and/or being strongly influenced by departments under state control, we have further chosen to incorporate the states’ aid programs and other CSR related efforts in the analysis. Furthermore, the fact that Sinopec lacks transparency with respect to its CSR related publications, we wanted to further incorporate Chinese involvement in Angola, as their presence is not as exploitative in our opinion as some of the Western sources argue it to be.

4.4.3.1 Norway

Norway, as a successful country to having avoided the resources curse, started to provide oil-related aid to other countries since the early 80s. The Norwegian Oil for Development program (OfD) was launched by the Norwegian government in 2005, aiming to assist developing countries in their efforts “*to manage petroleum resources in a manner that generates economic growth, promotes the welfare of the whole population in an environmentally sustainable way,*” an initiative which is given to the countries upon their request (Norwegian Ministry of Foreign Affairs, 2012). Oil and gas are often vital resources for economic and social development; however it has been proven difficult to translate oil resources into prosperity. The Norwegian government began this initiative to share its expertise in the oil and gas sector and on how to effectively manage the oil resources after decades of experience (Goverder & Skagestad, 2009). The OfD consists of a number of organizations: the Ministry of Foreign Affairs, the Ministry of Petroleum and Energy, and the Ministry of Finance, and the Ministry of Environment. They joined forces to “*formulates strategic direction, guidelines and priorities for the Secretariat and the implementing agencies*” (Norad, 2011). The Secretariat of OfD is the Norwegian Agency for Development Cooperation (ibid.) which is responsible for the coordination and implementation of the program. The program funding of OfD has increased year by year, from less than NOK75 million in 2006 to nearly NOK350 million in 2011 (Appendix 15).

The OfD initiative is currently promoted in and cooperates with nearly 20 countries. Angola is regarded as one of the core countries of the initiative and is one of the eight countries that involve with the long-term program. The relevant ministries in Norway and Angola are participating in long term capacity building and institutional cooperation within three main areas: (1) resources management, (2) revenue management and (3) environmental management (ibid.). A table showing the allocation of the budget funds of OfD program per countries from 2007 to 2010 and the estimated budget in 2011 is presented in Appendix 16, showing Angola as the sixth largest recipients of the OfD fund aid in 2010, receiving approximately NOK15.5 million of funding.

Being that Norway is a wealthy industrialized nation, it has the capability of providing aid in different forms to the developing countries. In addition, compared to the CSR efforts by Statoil, the initiatives at the state level appear to have a slightly different approach. While Statoil's main focuses are: (1) education & capacity building, (2) community development, (3) human rights & good governance, and (4) environment and HSE, the state itself focuses more on developing the overall business environment by promoting (1) resources management, (2) revenue management and (3) environmental management. The fact that the aid initiatives by Statoil and the Norwegian state are not overlapping on all fields indicates proper coordination of the projects as well as communication between the parties to a considerable extent. Statoil has operations in four countries out of the ten core countries that receive aids through the OfD program. This is assumed to be due to the fact that the OfD program aims at developing countries that have oil resources, which is in accordance with its purpose.

Furthermore, based on Statoil's Micro-CSR engagements and in addition to the Norwegian state aid through OfD, the social assistance to Angola can be rated to be at the third level of Carroll's (1999) CSR Levels. The reason why the CSR assistance does not reach the fourth level in our opinion is because the last level is also known as the Philanthropic Responsibility –level, and clearly the initiatives and actions taken are more connected with business operations than merely altruistic philanthropic initiatives. However, if we evaluate the engagements according to the CSR learning stages, we would rate the OfD engagements together with Statoil's initiatives at the highest, Civil - learning stage (Zadek, 2004), because the initiatives clearly go beyond the Strategic Advantage level by promoting broad industry wide participation in CSR instead of merely integrating the responsible business practices in their daily operations.

4.4.3.2 China

The Chinese government has been using the three major state-owned oil enterprises – CNPC, CNOOC and Sinopec – to secure strategic assets, and licenses for exploration and production overseas, particularly in the Africa's oil industry. This is vital to maintain the stability of the overseas energy supply since the domestic oil supply cannot meet the increasing energy demand.

Angola and China began their diplomatic relationship gradually in the 1990s. During the prolonged civil war in Angola, China supported the rebels (UNITA) for a short period of time and this later caused a rough situation to solve when the other party (MPLA) won as the leading party of Angola, forcing China to shift its support towards MPLA (Lee & Shalmon, 2008). However, it is worth noting that the USA funded both the rebels (UNITA) and the ruling party (MPLA) by giving aid and trading diamonds with UNITA, and simultaneously US multinational oil companies operated the Cabinda oilfields in cooperation with MPLA. Therefore, this shift in support should not be viewed too negatively.

By 2000, Angola was the second largest African trading partner with China after South Africa, while most of the trading involved was related to defense and security. This trading relationship soon changes from a defense based to economic based in 2002. According to Downs and Thornton's article, China had provided extraordinarily large economic support for Angola's infrastructure construction and several public health programs (Downs & Thornton, 2006). Additionally, the state relationships between China and Angola reached a new stage in 2005 when the Export/Import Bank of China (Eximbank) provided USD2 billion, oil-backed loan to Angola to fund rehabilitation and reconstruction of infrastructures that had been devastated during the civil war throughout the country (See Appendix 17 for terms of the loan). It is worth noting that one of the terms of the loan is to include the fund for infrastructure projects in which a minimum of 30% would be used to hire Angolan contractors. However, this in turn can be interpreted so that 70% of the projects would go to Chinese construction companies, which hinders the local, Angolan employment situation from developing (Taylor, 2006). These incidents are later criticized for China's ambition for the Angolan oil, as Sinopec was able to win the stacks of the oil blocks arguably due to the diplomatic relationship.

The long standing relationship – over two decades – good diplomatic relations and common interest for extracting and refining oil, can partially be explained by the cultural similarities between China and Angola. Although the fact that Eximbank went past IMF by offering a loan with different terms to Angola does not in our opinion appear as a questionable practice. Moreover, it can perhaps be better justified by the good diplomatic relationships between the nations, of which both of them value relationships to a large extent in their collectivistic cultures. Together with the state involvement, we feel that the Chinese engagements rise to the Ethical Responsibility –level (Carroll, 1999) because they pass their legal obligations related to the operations. Furthermore, we would place the state's and Sinopec's actions to the at least the Strategic Advantage –stage within CSR learning stages (Zadek, 2004) since the infrastructure improvement projects can be seen as Sinopec gaining a competitive advantage over its competitors in Angola. In our opinion, it could be possible for the cooperation to rise all the way to the Civil –stage of CSR learning if they allow Angolan contractors to take up a larger portion of the infrastructure projects; however, this is not yet the case today.

Furthermore, as the money from China has been given to Angola in the form of a loan instead of aid, it remains to be seen what happens in the next 5 to 10 years when the loan becomes payable. With the current state of economy in Angola, it is questionable how they would manage to start paying back the loan. Therefore, it is possible that if Angola fails to repay, additional conditions involving oil may be implemented. In our opinion, this could strengthen Sinopec's position among the other IOCs in Angola.

4.4.4 Testing Stakeholder Hypothesis

In chapter '4.3 Stakeholder Hypothesis,' we sorted out the relevant stakeholders based on their salience and relations with respect to the oil companies' business operations and other efforts. Within this section, we will also discuss the validity of our original hypothesis, to determine which stakeholders the companies consider important and to what extent. We will conduct our analysis by following the same structure as we had in the original, more theory based hypothesis. The table containing our hypothesized stakeholders can be found from page 62, or from Appendix 18.

1. Dormant (Power)

Statoil can be said to be well aware of the power held by the media as they publish press releases frequently on their website in a manner that is transparent enough not to strip them from their competitive edge in the market in relation to their competitors. Additionally, most of the publications contain disclosed issues when publish, leaving the media less room to speculate over situations.

Sinopec on the other hand has limited publications regarding its operations. However, the Chinese media is not in the position to monitor or criticize Sinopec's practices compared to the media in the West. Should Sinopec wish to improve its reputation in the global arena, it should reconsider adopting a more transparent position with respect to its operations and publications.

2. Discretionary (Legitimacy)

Both companies appear to have solid consideration of the environmental, human rights, and/or other related issues in their operations, as can be expected of almost any IOC by various international NGOs. However, the Angolan workforce receives varying attention from the two companies. Statoil's own CSR efforts include increasing the levels of education in Angola to reinforce their value in the local job market, in addition to the Norwegian OfD assistance, which aims to educate Angolans on a generic level to manage their responsibilities more adequately. Sinopec on the other hand states that they try to involve the local workforce in their operations in addition to having policies on integrating the Chinese and the local workforce together. However, the bigger challenge is in actually finding proof as to what extent these policies go in actual efforts. Furthermore, the fact that the loan terms secure only 30% of the construction contracts to the locals, would indicate that China prefers to retain control of the projects. This could possibly be to secure the infrastructure projects completion in due time by using contractors and workers that China has full confidence in. In order to improve the position of Angolan workforce, Sinopec could further include them in their oil extraction and refining operations. The terms of the loan, on the other hand, could be renegotiated to increase the percentage of Angolan involvement. A possible way of doing this could perhaps be that the Chinese contractors hire local workforce, counter to increasing contracts going to Angolan contractors. This would still allow the Chinese to retain more control over the construction process in terms of management, yet would simultaneously empower the local workforce. However, the situation would increase cross-cultural management problems, which could delay the projects and would need to be handled. Yet, if one of the problems is that the contractors are not using Angolan workforce, there really are not many viable options to fix the sitation.

3. Demanding (Urgent)

For the time being, we would argue that neither of the case companies is really faced with the problem of victims rising from operations. Therefore, these stakeholders are not presently relevant for the companies. Furthermore, the same can be argued to apply to the lone demonstrators, as they

– present now or not – are not a part of a larger group of movement, which decreases their threat towards Statoil or Sinopec. Both the possible victims of operations and lone demonstrators can however be argued to be a threat should they receive power from i.e. the media, bringing their case to the attention of the general public. However, we would argue that the operational circumstances and practices currently in place would have to change rather drastically for these stakeholders to become an issue for the companies.

4. Dominant (Power & Legitimacy)

Both Statoil and Sinopec need to take their national governments into considerations with respect to the nations' demand for energy, income, and diplomatic relations and reputation. Statoil being majority owned by the Norwegian state, yet being an openly traded company, operates for the bottom-line while simultaneously taking into consideration appropriate operational practices. Sinopec on the other hand can be argued to carry a part of the responsibility to ensure energy supply in China, which together with the key regulatory state departments can be argued to be influenced by the state.

Similarly both companies are responsible towards their employees, customer, owners, and investors. However, as we have pointed out before, Sinopec's corporate communication towards these parties is limited, which is either a sign of the level of interest they consider the stakeholders to have on the company and its operations, or a more generic way of conducting business in China by not disclosing all information publicly. Sinopec is mainly traded in China through the Shanghai Stock Exchange, which presently only allows the locals to participate in trading – although Sinopec is also listed in the HKEx, NYSE, and LSE. In the future, as the company gains increasing attention from foreign investors, they might decide to choose to pay more attention to their publications.

OPEC is obviously a necessary stakeholder for both Statoil and Sinopec, as the organization largely defines industry standards and holds the power to control oil prices in the global market. Currently neither Norway nor China is a member of OPEC; although, Norway has participated in the OPEC meetings as an observer. China – and Sinopec – should perhaps reconsider the importance of this stakeholder, as it holds extensive power over the oil business on global scale. Especially with the Chinese oil imports shifting more from the Middle East to Africa, China should retain good relations with OPEC and its member states.

Angolan state was defined as our last Dominant stakeholder due to its power of acting as a gatekeeper to oil resources and operations in Angola. With the state having legitimate interest in building the nations – through i.e. employment, taxation, etc. – in addition to holding the final say on various operational levels, retaining diplomatic relationships and constructive dialogue between the Angolan government and our case companies – and respective home-states – is extremely important. Statoil could be argued to hold a stronger position with respect to keeping local workforce in mind; however, based on the limited information disclosed by Sinopec, we cannot give a definite rating to their level of consideration. However, as we presented before, China could further improve its relations with Angolan government by hiring more Angolan workforce for the infrastructure projects. Although, the loan from Eximbank was given in 2005, and the terms of the loan have not change – to our knowledge – after that, we would further argue that the Angolan government is content with the current employment situation in respect to our case companies and their governments operations.

5. Dangerous (Power & Urgent)

Both terrorist groups and Angolan Elite are in the position of being able to harm the overall economy and society. Both Sinopec and Statoil should not put terrorists in any priority or the Elite in the highest priority in their decision-making process, as this will increase their power, which is counter to what the two stakeholder groups should receive considering the groups selfish aims. Norway can be argued to be battling against the Angolan Elite through its OfD involvement – initiatives of long-term capacity building of revenue management – which can be argued to increase transparency in regards to where Sonangol’s revenues go to. We feel it would be in the interest of Sinopec to join in the diplomatic efforts against corruption, to not only improve its own reputation and standing in the international market, but further improve the situation in Angola to be in the best interest of the Angolan citizens.

6. Dependent (Legitimacy & Urgent)

As there is presently no sufficient legislation in Angola to protect the interests of these stakeholders – inhabitants and the environment in the area of operations – it remains to the operating oil companies to take the stakeholders into consideration within their respective operations. Statoil has clearly defined its interest and attention in respect to the stakeholders in this group. However, we see the same initiative from Sinopec, although mainly only on the policy side as actual CSR initiatives or other community efforts remain unconfirmed.

7. Definitive (Power & Legitimacy & Urgent)

For the time being we have not detected any stakeholders belonging to this group. However, in the future we believe that especially the Dependent stakeholders have a chance to rise to this level should the circumstances change in respect to their legitimate claims being violated, the matter increasing in urgency, and them receiving support from an external entity with power, i.e. media or international NGOs. Therefore, in our opinion, both Statoil and Sinopec should keep the damage towards these stakeholders to a minimum in order to avoid complications and ensure sustainability of their operations.

8. Non-Stakeholder

In our opinion, if both Statoil and Sinopec continue with their operations as they define in their CSR policies, these stakeholders – future generations in Angola, Norwegian Pension Fund and its dependencies, and the future Chinese generations – should not pose issues in the near future. However, in the long-term, it is difficult to forecast how the stakeholders see the situation when they 'become active.' What Statoil and Sinopec could do for the moment is to maintain a high industry standard, by creating a sustainable foundation for the operational environment by taking into consideration both the environmental capacity and the needs of the future generations.

5. Conclusion

Based on the conducted research, we conclude that in the case of enterprises the country of origin plays a role in shaping the enterprise's business culture, and further operations and engagements in the countries of operations. Observation of our case companies led us to the conclusion that enterprises from more developed nations have a stronger interest in CSR engagements. In our opinion this is a result of higher standards in quality of life in the more developed nations, which in turn gives them a kind of a benchmark for their operational practices and social engagements. Arguably companies can be incentivized to relocate operations to nations with more loose regulatory regimes. However, we do not believe this to be the actual motivation for relocating. For example, IOCs can largely be assumed to operate in developing nations due to oil resources being there. Additionally, CSR presently has a multitude of definitions, none of which are universally or unanimously agreed upon, IOCs still engage in CSR efforts which are often considered industry wide 'license-to-operate' type of engagement (Blowfield & Murray, 2008). Therefore, enterprises from less developed nations – i.e. China – are also expected to contribute towards the society just as their competitors from the developed industrial nations are, although there are still domestic social issues that need to be resolved.

In our opinion, Sinopec acts according to the global oil industry standards and is attempting to be the leader in setting CSR standards among the Chinese oil enterprises (CASS, 2009). However, in order for them to gain more recognition on their efforts on global scale, a more open attitude with respect to disclosing information is needed. It should be noted that this is not criticism towards Sinopec and China – because they both act according to the cultural norms of their country of origin; but rather a notion with respect to their competitors actions and what should be reconsidered and re-evaluated should Sinopec and China wish to receive less negative attention in Western publications and to maintain their competitiveness in the global oil arena.

Statoil on the other hand can be appraised to act as an industry leader in setting up CSR regulations and standards. However, considering that most oil enterprises do not originate from nations as rich as Norway, the extent to which other oil companies would then want to follow Statoil's example is questionable. Therefore, we would propose that perhaps Statoil could join forces with an international organization, i.e. OPEC, to draft together a commonly agreed upon set of operational regulations in relation to CSR, which could then be considered a universal industry standard. The negotiations for such a document would be expected expected to be time consuming and difficult, yet they would have the benefit of incorporating a more diverse background in perceptions and attitudes towards CSR, making the end result more universal. Additionally, if the regulations were drafted together with the parties involved, the overall understanding and acceptance of the set of norms could increase because the parties would feel less patronized after having participated in the creation process.

5.1 Limitations

Our research admittedly had its limitations just as all research does. We were able to find considerably good amounts of data regarding Statoil, but experienced further challenges when it came to Sinopec. This was partially due to Statoil disclosing more information on its own compared to Sinopec. However, even with i.e. Statoil's CSR projects, we were forced to look for information from alternative sources, i.e. Google searches and CSR related NGOs – CMI, NORAD, etc. Therefore, we would like to note that although information regarding Statoil is more readily available, it is not in all cases done by them. Thus we argue that Statoil is not fully transparent – if that is even possible – in its reporting, although that can be explained by wanting to retain their competitiveness and 'trade secrets.' Furthermore, the asymmetric data collection posed further problems with translating the collected data into comparable form to enable conducting a meaningful analysis. The comparison proved to be difficult because of the different scopes and units the companies and various entities involved employ in their reporting.

With respect to our chosen method of analysis – conceptual analysis of qualitative data – the methods used sufficed our research goals. Being that the field of CSR is still developing starting from definitions all the way to evaluating projects, no quantitative measure are yet available to enable easier comparison of definitions and efforts. Furthermore, due to the nature of the CSR concepts, scientific testing through experimentation and mathematization would be extremely challenging since putting a value on responsibility is difficult. Additionally, as mentioned earlier, the origin of companies affects their perception towards CSR. Thus it would be expected that the same would occur among researchers – their perceptions depend on their cultural norms and values – possibly presenting itself in the form of research bias. In our research we had the benefit of working in a multicultural partnership with representation from both East and West. Through extensive and open dialogue, we have formulated our analysis accordingly to avoid bias towards any side.

5.2 Future Research

There is still great potential for future studies in all the aspects of CSR. With regards to our own topic, we would like to acknowledge our own shortcomings by recommending more extensive cooperation to better investigate the influence of corporations' country of origin in their corporate culture and practices. In our opinion, incorporating different scientific fields and other connected sources – i.e. anthropology; sociology; economics; law; various NGOs, IOCs, and governmental entities on global scale – when conducting a more extensive research would further increase its validity. There appears to be a weak linkage on influence sovereign governments have over business' with respect to different types of cooperation's, i.e. private, SOE, joint venture, etc. Therefore further research is needed in the field to provide more extensive results.

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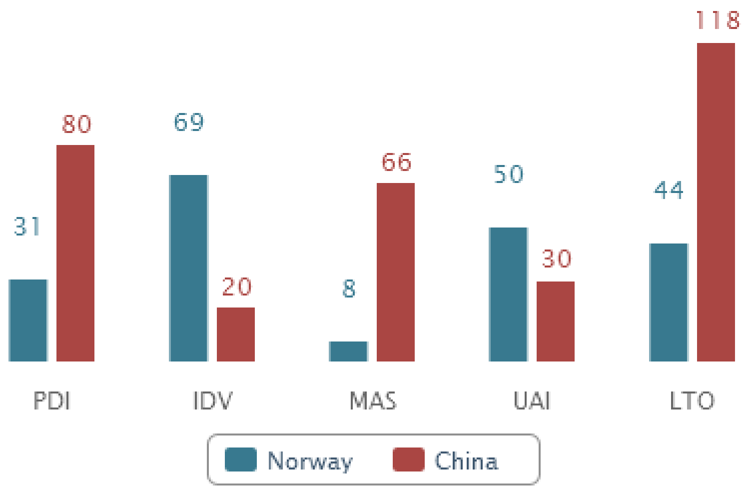
Appendix

Appendix 1 – Hofstede's Dimension Scores for Norway and China



Source: Hofstede (2012)

Appendix 2 – 10 Commandments

1. I am the Lord, your God. Thou shall have no other gods.
2. Do not use the Lord's, your God's name in vain.
3. Remember to keep the Sabbath, for its holy.
4. Honor your father and your mother.
5. Do not kill.
6. Do not commit adultery.
7. Do not steal.
8. Do not bear false witness of your neighbor.
9. Do not covet your neighbor's property.
10. Do not covet your neighbors spouse, employees, cattle, or anything that belongs to him.

Source: Translated by authors from Huovinen (2000)

Appendix 3 – Whitcomb's Study Results

TABLE I
Vignette #1

1. Scores: likelihood to take the action (0 = definitely would not; 10 = definitely would)

	Average	Std. dev.
U.S.	5.38	3.28
China	7.01	2.73

t-test for means of the U.S. and China: $t = 3.8$, $\alpha < 0.001$. Two means are significantly different at higher than 99.9% confidence level.

2. Reasons for decisions (frequency distributions)

Choice	Reason	U.S.	China
A	Against company policy	5%	2%
B	Illegal	9	1
C	Bribe; unethical	24	1
D	No one is hurt	10	6
E	Is an acceptable practice in other countries	17	6
F	Is not unethical, just the price paid to do business	22	59
G	Other	12	25

χ^2 test for distributions of the U.S. and China: $\chi^2 = 649$, degrees of freedom = 6, $\alpha < 0.005$. The two distributions are significantly different at higher than 99.5% confidence level.

TABLE II
Vignette #2

1. Scores: likelihood to take the action (0 = definitely would not; 10 = definitely would)

	Average	Std. dev.
U.S.	3.64	2.89
China	3.51	3.00

t-test for means of the U.S. and China: $t = 0.294$, $\alpha = 0.769$. H_0: "Two means are the same" cannot be rejected at higher than 23.1% confidence level.

2. Reasons for decisions (frequency distributions)

Choice	Reason	U.S.	China
A	Unethical for Smith to provide and unethical for employer to ask	31%	17%
B	Unethical for employer to mislead Smith when he was hired	17	10
C	Protect Smith's reputation	5	10
D	Provide some but not all information	15	17
E	Decision based on whther security agreement is in force	19	25
F	To keep job; loyalty to new employer	3	6
G	Other	10	15

χ^2 test for distributions for the U.S. and China: $\chi^2 = 13.5$, degrees of freedom = 6, $0.025 < \alpha < 0.005$. The two distributions are significantly different at higher than 95% confidence level.

TABLE III
Vignette #3

1. Scores: likelihood to take the action (0 = definitely would not; 10 = definitely would)

	Average	Std. dev.
U.S.	2.78	2.96
China	2.72	3.20

t-test for means of the U.S. and China: $t = 0.119$, $\alpha = 0.906$. H_0: "Two means are the same" cannot be rejected at higher than 9.4% confidence level.

2. Reasons for decisions (frequency distributions)

Choice	Reason	U.S.	China
A	It would be illegal	13%	16%
B	Concern for the environment/life	46	23
C	Risk of getting caught with resulting negative consequences too great	20	35
D	Not their fault; equipment would be installed if available	7	4
E	The pollution would not really hurt the environment	2	2
F	Large potential with low risk	6	13
G	Other	7	7

χ^2 test for distributions of the U.S. and China: $\chi^2 = 18.5$, degrees of freedom = 6, $0.005 < \alpha < 0.01$. The two distributions are significantly different at higher than 99% confidence level.

TABLE IV
Vignette #4

1. Scores: likelihood to take the action (0 = definitely would not; 10 = definitely would)

	Average	Std. dev.
U.S.	4.31	3.54
China	2.25	3.04

t-test for means of the U.S. and China: $t = 4.319$, $\alpha < 0.001$. Two means are significantly different at higher than 99.9% confidence level.

2. Reasons for decisions (frequency distributions)

Choice	Reason	U.S.	China
A	Too dangerous to world safety	46%	36%
B	May create image detrimental for company	7	15
C	Concerned with legal ramifications	11	31
D	Don't see responsibility as theirs to make choice	2	4
E	Those who want the information can get it now from other sources	28	9
F	Other	7	6

χ^2 test for distributions of the U.S. and China: $\chi^2 = 37.1$, degrees of freedom = 5, $\alpha < 0.005$. The two distributions are significantly different at higher than 99.5% confidence level.

TABEL V
Vignette #5

1. Scores: likelihood to take the action (0 = definitely would not; 10 = definitely would)

	Average	Std. dev.
U.S.	7.72	2.62
China	7.74	2.91

t-test for means of the U.S. and China: $t = 0.036$, $\alpha = 0.971$. H_0: "Two means are the same" cannot be rejected at higher than 2.9% confidence level.

2. Reasons for decisions (frequency distributions)

Choice	Reason	U.S.	China
A	Ward has no additional responsibility; loyalty will keep him quiet	2%	9%
B	Risk of injury or death too low to halt sale	7	5
C	The company has a responsibility to the public; criminal and dishonest to remain silent	33	37
D	Risk to firm's image, profitability, and long run potential too great to remain silent	20	28
E	Chances of causing injury or death too great to remain silent	33	18
F	Other	6	4

χ^2 test for distributions of the U.S. and China. $\chi^2 = 12.4$, degrees of freedom = 5, $0.025 < \alpha < 0.05$. The two distributions are significantly different at higher than 95% confidence level.

Source: Whitcomb et al. (1998)

Appendix 4 – United Nation Declaration of Human Rights

<u>Preamble</u>

Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world,

Whereas disregard and contempt for human rights have resulted in barbarous acts which have outraged the conscience of mankind, and the advent of a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want has been proclaimed as the highest aspiration of the common people,

Whereas it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law,

Whereas it is essential to promote the development of friendly relations between nations,

Whereas the peoples of the United Nations have in the Charter reaffirmed their faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom, Whereas Member States have pledged themselves to achieve, in cooperation with the United Nations, the promotion of universal respect for and observance of human rights and fundamental freedoms,

Whereas a common understanding of these rights and freedoms is of the greatest importance for the full realization of this pledge,

Now, therefore,

The General Assembly,

Proclaims this Universal Declaration of Human Rights as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction.

Article 1

All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.

Article 2

Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.

Article 3

Everyone has the right to life, liberty and security of person.

Article 4

No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

Article 5

No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.

Article 6

Everyone has the right to recognition everywhere as a person before the law.

Article 7

All are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination.

Article 8

Everyone has the right to an effective remedy by the competent national tribunals for acts violating the fundamental rights granted him by the constitution or by law.

Article 9

No one shall be subjected to arbitrary arrest, detention or exile.

Article 10

Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.

Article 11

Everyone charged with a penal offence has the right to be presumed innocent until proved guilty according to law in a public trial at which he has had all the guarantees necessary for his defence.

No one shall be held guilty of any penal offence on account of any act or omission which did not constitute a penal offence, under national or international law, at the time when it was committed. Nor shall a heavier penalty be imposed than the one that was applicable at the time the penal offence was committed.

Article 12

No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks.

Article 13

Everyone has the right to freedom of movement and residence within the borders of each State.

Everyone has the right to leave any country, including his own, and to return to his country.

Article 14

Everyone has the right to seek and to enjoy in other countries asylum from persecution.

This right may not be invoked in the case of prosecutions genuinely arising from non-political crimes or from acts contrary to the purposes and principles of the United Nations.

Article 15

Everyone has the right to a nationality.

No one shall be arbitrarily deprived of his nationality nor denied the right to change his nationality.

Article 16

Men and women of full age, without any limitation due to race, nationality or religion, have the right to marry and to found a family. They are entitled to equal rights as to marriage, during marriage and at its dissolution.

Marriage shall be entered into only with the free and full consent of the intending spouses.

The family is the natural and fundamental group unit of society and is entitled to protection by society and the State.

Article 17

Everyone has the right to own property alone as well as in association with others.

No one shall be arbitrarily deprived of his property.

Article 18

Everyone has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief, and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

Article 19

Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

Article 20

Everyone has the right to freedom of peaceful assembly and association.

No one may be compelled to belong to an association.

Article 21

Everyone has the right to take part in the government of his country, directly or through freely chosen representatives.

Everyone has the right to equal access to public service in his country.

The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

Article 22

Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

Article 23

Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.

Everyone, without any discrimination, has the right to equal pay for equal work.

Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.

Everyone has the right to form and to join trade unions for the protection of his interests.

Article 24

Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

Article 25

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

Article 26

Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.

Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.

Parents have a prior right to choose the kind of education that shall be given to their children.

Article 27

Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.

Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.

Article 28

Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized.

Article 29

Everyone has duties to the community in which alone the free and full development of his personality is possible.

In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society.

These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.

Article 30

Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein.

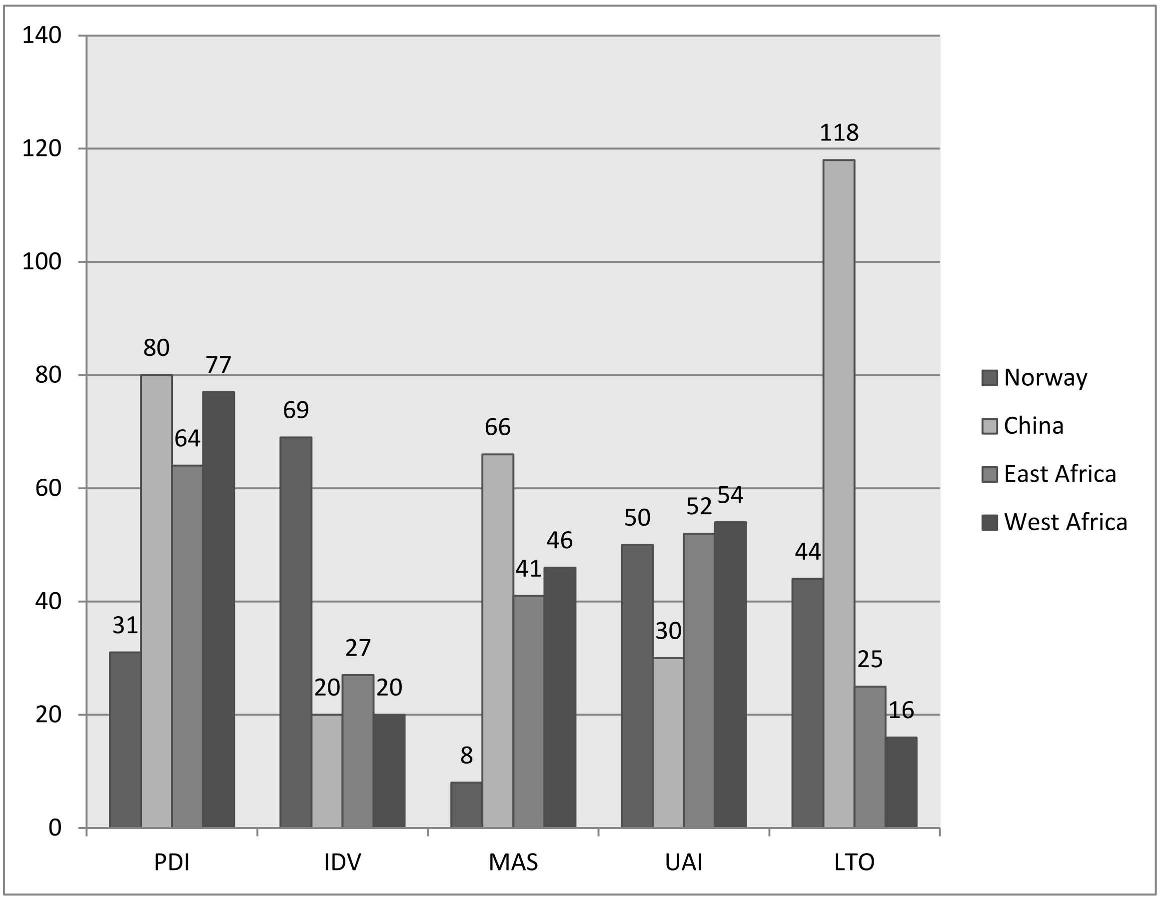
Source: UN Declaration of Human Rights (2012)

Appendix 5 – Angola Crude Oil Exports

	Exports (kb/d)									
	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Austria	0	0	0	0	1	0	0	0	0	0
Belgium	0	0	3	0	0	6	1	0	0	0
France	0	19	29	21	13	35	71	77	61	55
Germany	39	19	4	12	18	9	6	24	8	0
Italy	13	23	0	7	2	2	4	26	16	0
Japan	2	3	0	3	2	0	3	45	5	0
Korea	0	10	24	27	110	52	24	24	20	11
Netherlands	3	0	0	0	0	3	15	4	1	0
Portugal	0	0	0	3	0	6	13	8	0	0
Spain	21	20	8	0	5	13	13	3	0	11
Switzerland	0	5	0	0	0	0	0	0	0	0
United Kingdom	0	0	0	1	2	0	5	0	0	0
United States	366	354	429	472	375	322	340	339	378	322
China	20	33	77	22	58	173	76	114	203	324
Exports to OECD	443	453	496	545	527	447	494	549	489	399
Exports to non OECD	132	205	187	128	160	241	190	298	338	534
Total Exports	**575**	**658**	**683**	**673**	**687**	**688**	**684**	**847**	**827**	**933**

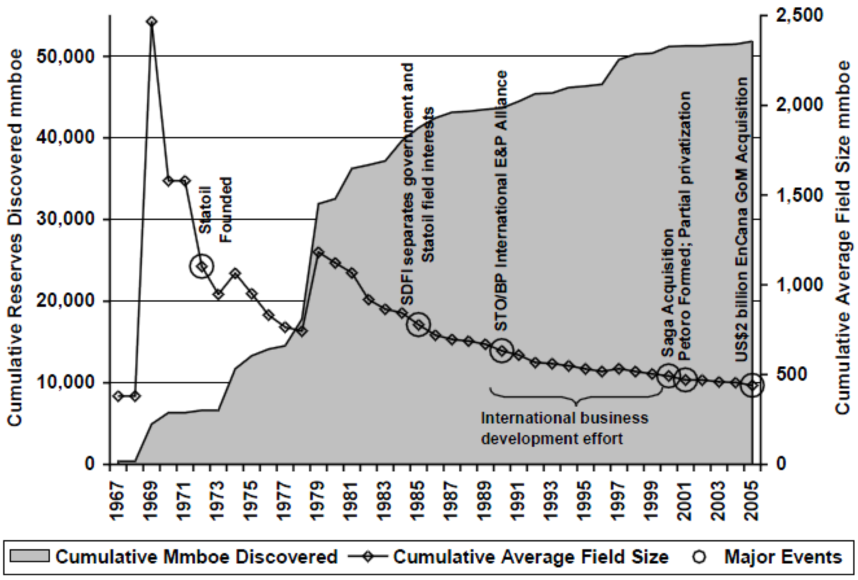
Source: IEA, 2006

Appendix 6 – Hofstede's Dimensions: Norway, China, East & West Africa



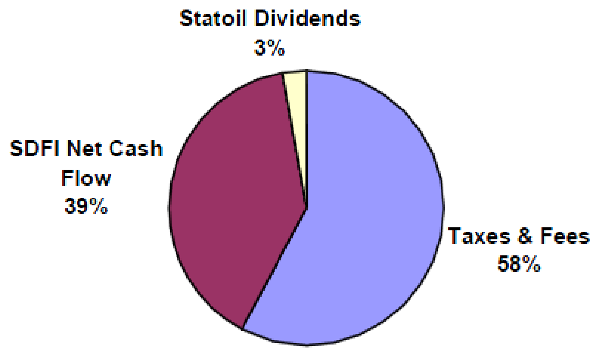
Source: Constructed from Hofstede (2012)

Appendix 7 – Cumulative Reserve Discovery History in Norway



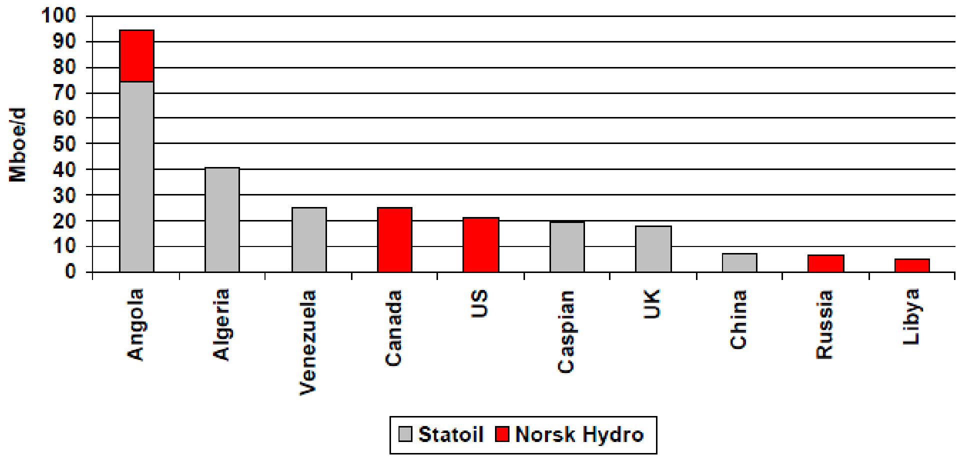
Source: Norwegian Petroleum Directorate, 2005

Appendix 8 – Norwegian Sources of Revenue from the Petroleum Sector, 2005



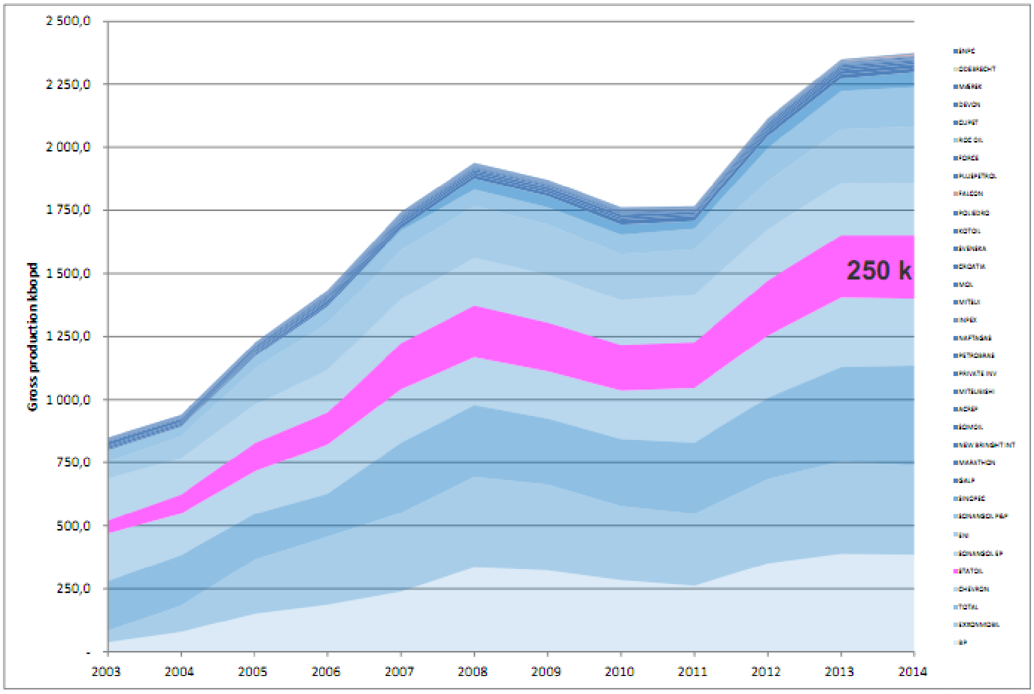
Source: Ministry of Petroleum and Energy (Facts), 2006

Appendix 9 – International Oil Equivalent Production, 2005



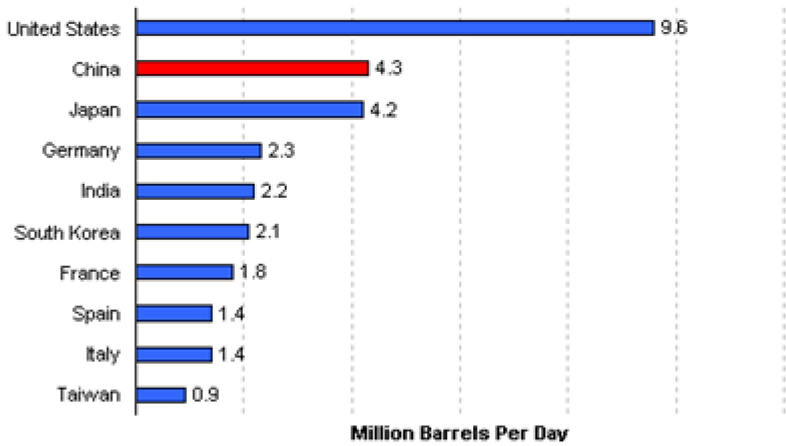
Source: Gordon, R. & Stenvoll, T. (2007)

Appendix 10 – Statoil's Daily Production in Angola (past and future projection)



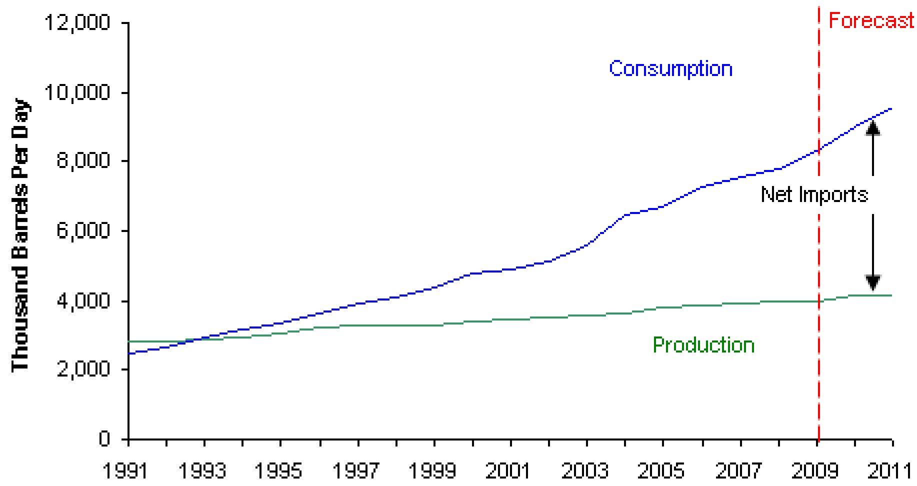
Source: Graue, K. (2011) Statoil Presentation

Appendix 11– Top10 Net Oil Importers, 2009



Source: U.S Energy Information Administration (2010)

Appendix 12 – China's Oil Production and Consumption, 1991 – 2011



Source: U.S Energy Information Administration (2010)

Appendix 13 – Statoil's Five Year CSR Plan

Basis	Core Areas	Objective
Business Goals, Country Context, Expectations from Angolan Government, Communities, Our Partners and Employees and other stakeholders	➢ Education & Capacity Building	• Fighting lack of sufficiently qualified staff • Competence and capacity building
	➢ Community Development: water and sanitation, health in suburban and rural communities	• Reduce the level of poverty • Mitigate risks of social unrest that may affect our activities
	➢ Human Rights & Good Governance	• Promote people's rights in accordance with corporate CSR policies • Contribute to mitigating harmful impact on Statoil business and reputation
	➢ Environment & HSE	• Promote awareness on environmental issues which might negatively impact on communities, the fauna and flora • Disseminate good practice to ensure safe operations

Source: Sebastião, L. (2009) Statoil Presentation

Appendix 14 – Statoil's Supported CSR Projects

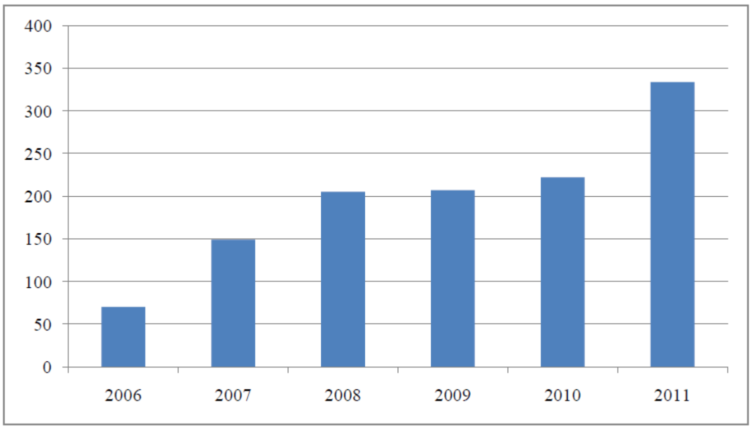
EDUCATION
Luanda: CMI/UCAN (compendia on governance), NTNU/UAN (ANHEI)
Kwanza Sul: ADPP (rural teachers training)
Bië: UNICEF (Schools for Africa)

COMMUNITY DEVELOPMENT
Bengo: Piri project (schools, health, water, solar panels, agriculture),ADPP (HIV/AIDS)
Kwanza Sul: NCA (safe water supply)
Benguela: NCA (safe water supply), ADPP (HIV/AIDS)
Cunene: UNICEF & ADPP (safe water supply & sanitation)

HUMAN RIGHTS
Kwanza Sul: NPA (demining land release & empowerment of civil society)
Malange: NPA (demining land release)
Huila: ADRA (The Right to Education)

HSE
Kuanza Sul: RKK (Safety Centre at INP)
Malange: CEIC/UCAN (Black Giant Sable)

Appendix 15 – Total Oil for Development -Program Funds



Source: NORAD, 2011

Appendix 16 – Distribution of Budget Funds by Country for 2008-2011

Amounts in NOK1000; Estimated as of March 2011

COUNTRY	Expenditure 2007	Expenditure 2008	Expenditure 2009	Expenditure 2010	Budget 2011
Core countries					
Angola	11162	7888	13548	15635	13275
Bolivia	1401	2805	5976	8686	9250
Ghana	-	3428	8308	15576	33425
Madagascar	6272	12574	4303	91	-
Mozambique	14900	18802	13861	5614	16125
Nigeria	5655	4511	4559	3743	9731
Sudan	4800	13476	10951	27037	70588
Timor-Leste	15889	13553	19670	21570	21900
Uganda	7121	8419	13808	30298	41187
Vietnam	5775	1657	-	-	
Subtotal	**83 475 (incl. Iraq)**	**87 113**	**94 984**	**128 250**	**222 981 (incl. Nigeria)**

Source: NORAD, 2011

Appendix 17 – Terms of the loan from China Eximbank to the State of Angola

			Oil sales directly to China at current market price in bbl/day	
Sum	Repay Time	Interest	at Start	in the End
$ 2,000,000,000	12 or 17 years	1.50%	15,000	40,000

Source: Constructed according to: Lee & Shalmon (2008) and Taylor (2006)

Appendix 18 – Figure of the Stakeholder Hypothesis

Level of Stakeholder Salience	Statoil	Sinopec
1 Dormant (Power)	Media	
2 Discretionary (Legitimacy)	Environmental, Human Rights, & other international Organizations	
	Angolan workforce	
3 Demanding (Urgent)	Victims of operations	
	Lone demonstrators	
4 Dominant (Power & Legitimacy)	National government in home state	
	Employees, Customers, Owners, Inverstors	
	OPEC	
	Angolan government	
5 Dangerous (Power & Urgent)	Terrorist Groups	
	Angolan Elite	
6 Dependent (Legitimacy & Urgent)	Inhabitants & Environment in the area of operations	
7 Definitive (Power & Legitimacy & Urgent)	-	
8 Non-Stakeholder	Future generations in Angola	
	Norwegian Pension Fund and its dependencies	Future Chinese generations

Source: Constructed by the authors