Universidad Ramon Llull

DOCTORAL THESIS

Title	THE POLITICAL ROLE AND RESPONSIBILITIES OF MULTINATIONAL CORPORATIONS: THE CASE OF ROYAL DUTCH SHELL
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Dedication

To Vicent and Julia

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Abstract

The phenomenon of multinational corporations (MNCs) taking on traditional government activities within their corporate social responsibility (CSR) agenda is receiving increasing attention due to ensuing legitimacy challenges for the corporation and democracy at large. Recently, 'political CSR' has become the new normative frame for theorizing on these political role and responsibilities within the business ethics and society and business literature. Political CSR scholarship assumes that MNCs should, and already do, engage in traditional government activities of political and social regulation (Scherer & Palazzo, 2007) and operate as new providers of public goods (Scherer & Palazzo, 2011; Scherer, Palazzo, & Matten, 2009). However, despite these increasing normative demands and concomitant concerns over MNCs undermining the public good, the extent to which companies can and do conform to these normative demands and how this impacts the main affected stakeholders remains theoretically underdeveloped and empirically under-explored.

This PhD thesis embraces the legitimacy challenges of MNCs' political engagement and the lack of attention to the impact of corporate responses on affected stakeholders as a starting point for a systematic in-depth empirical inquiry. The company Royal Dutch Shell is particularly suitable due to its distinctive company characteristics, complex operating environment and access to data. This PhD thesis provides a new perspective on the political role and responsibilities of MNCs, which extends current theorizing with regard to the scope of political responsibilities and the conditions corporate legitimacy. It also conceptualizes a rather more complex and dynamic picture of MNCs' responses to political CSR demands than that presented in the extant literature. Notably, it identifies previously unidentified responses to normative political CSR demands and takes into account MNCs' self-interested active agency and power relationships, which challenge the predominantly positivist assumptions and the 'bright side' bias of exemplary cases of political CSR. In this way, the thesis reveals crucial insights into the 'dark side' not only of the company's (mal)practices, but also regarding the weaknesses of the broader system of business and society.

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List of abbreviations

CD	Community Development
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
ECCR	Ecumenical Council for Corporate Social Responsibility
EITI	Extractive Industry Transparency Initiative
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GGFR	Global Gas Flaring Reduction Partnership
GMoU	Global Memorandum of Understanding
GRI	Global Reporting Initiative
HDI	Human Development Index
HRCA	Human Rights Compliance Assessment
HSSE	Health, Safety, Security, the Environment
LNG	Liquefied Natural Gas
MDG	Millennium Development Goals
MNCs	Multinational Corporations
MSI	Multi-stakeholder Initiatives
MOSOP	Movement for the Survival of the Ogoni People
NGO	Non-Governmental Organization
NLNG	Nigeria Liquefied Natural Gas Company
NNPC	Nigerian National Petroleum Corporation
PIB	Petroleum Industry Bill
RDS	Royal Dutch Shell
SCD	Sustainable Community Development
SIR	Shell International Renewables
SNEPCO	Shell Nigeria Exploration and Production Company
SNG	Shell Nigeria Gas
SP	Social Performance
SPDC	Shell Petroleum Development Company of Nigeria
UNCTAD	United Nations Commission on Trade and Development
UNEP	United Nations Environment Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
VP	Voluntary Principles on Security and Human Rights

Contributions to scientific knowledge

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Chapter 1: General introduction

The introduction provides a comprehensive and informative backdrop to the following 7 chapters, thus embedding them in the broader research context. In the first section I introduce a new political perspective on corporate social responsibilities (political CSR) and its relevance in both theory and practice. I then move on to provide an overview of political CSR's key elements beyond Scherer and Palazzo's literature review (2011). The aim is to establish a theoretical framework for this PhD thesis as a basis for theorizing on the political role and responsibilities of multinational corporations (MNCs). In the following section I identify the research gaps and state the research questions for the following chapters, which address these gaps. I then explain the methodologies used in this thesis and briefly review the findings. I close this section by highlighting a new perspective on political CSR to which this research contributes.

1.1. Relevance of the topic and research focus

"The large corporation has become the most important new political institution in the contemporary political order" (Mitchell, 1986, p. 208)

In recent years, the political impact of corporate social responsibilities (CSR) has gained increasing momentum. In the light of their global expansion and increased power, particularly MNCs are increasingly expected to take on a political role and contribute to the provision of public goods and business regulation, which were previously regarded as a preserve of the state. Many MNCs have already started to engage in self-regulating multi-stakeholder inititatives (MSI) such as the UN Global Compact to create a global platform of discourse for the implementation of basic human rights and environmental principles, to SA8000 as an accountability tool for globally expanded supply chains, to the Global Reporting Initiative todevelop standards for the reporting on CSR, and to Transparency International to fight against corruption.

There has also been rising scholarly interest in the political aspects of CSR over the last decade (Mäkinen & Kasanen, 2014; Mäkinen & Kourula, 2012; Rodriguez, Siegel, Hillman, & Eden; Scherer & Palazzo, 2011; Scherer & Palazzo, 2007) as a field of research. Scholars have pointed to the political role of companies as providers of public goods and community services in areas such as health and education (Blowfield & Frynas, 2005; Boddewyn & Doh, 2011; Newell & Frynas, 2007), peace building (Fort & Schipani, 2004;

Nelson, 2000), global governance (Kobrin, 2008, 2009; Scherer, Palazzo, & Baumann, 2006), censorship (Brenkert, 2009; Schrempf, 2011), public health (Maguire, Hardy, & Lawrence, 2004) (Schrempf, 2012), and corruption (Misangyi, Weaver, & Elms, 2008). They have also addressed the rising role of self-regulatory business behaviour through voluntary initiatives to fill governance voids at the national and global level (Aguilera & Cuervo-Cazurra, 2004; Bartley, 2007; Slager, Gond, & Moon, 2012). As a consequence, "CSR is now as much about the social, governmental, and multi-actor regulation of business as about self-regulation of companies for community benefit" (Rasche, de Bakker, & Moon, 2013, p. 654). Increasingly, these political CSR initiatives are not only seen as a new form of corporate governance, but even as a way of governing society at large (Maclean & Crouch, 2011).

This political role and engagement in traditional government activities is highly contested by the public and corporations alike as it raises important questions with regard to the legitimacy of corporations and democracy at large. Some authors raise concern that MNCs have become the new 'leviathans' of our time (Chandler & Mazlish, 2005) and many critical scholars point to recent corporate scandals and globally networked economic, social, and environmental side effects of business activities. For instance, MNCs are accused of violating human rights, escaping local jurisdictions, taking advantage of local systems ill-adapted for effective corporate regulation, and steering financial investments and moving production sites to more hospitable places (Arnold & Bowie, 2003; Banerjee, 2007; Buckley & Ghauri, 2004; Kobrin, 2009; Shamir, 2004, p. 637). Scholars have also suggested that MNCs continue to exercise political pressure via lobbying, traditional political channels and membership in advisory committees to influence regulatory changes in relation to social and environmental issues (Barley, 2007; Child & Tsai, 2005; den Hond, Rehbein, de Bakker, & Lankveld, 2014; McWilliams, Van Fleet, & Cory, 2002). As a consequence many MNCs have entered into direct political struggles with civil society organizations due to the negative impact of their practices. In this sense, Ruggie (2008) warns

> "history teaches us that markets pose the greatest risks - to society and business itself - when their scope and power far exceed the reach of the institutional underpinnings that allow them to function smoothly and ensure their political sustainability. This is such a time and escalating charges of corporate-related

> human rights abuses are the canary in the coal mine, signalling that all is not well" (Ruggie, 2008, p. 3).

The growing positive and negative impact of MNCs has raised some important and troubling questions in this context. For example, main affected (and often marginalized) stakeholders ask how to hold MNCs accountable for their impact on the world? How to make sure that the company makes public welfare choices in the best interest of the public taking into account they have no democratic mandate for engagement in public responsibility strategies and cannot be held accountable by a civic polity? Also for organizations crucial questions arise. The normative pressure to provide goods and services not related to the core business competencies might endanger the profit motive or even the very existence of a corporation (Steinmann, 2007). Managers are left bereft with the central challenge of "how to arrive at some workable balance" (Goiaia, 1999: 231 in Margolis & Walsh, 2003) between normative pressure to effectively address public concerns and instrumental demands to maximize their shareholders' wealth.

Clearly, the political role and responsibilities of MNCs has gathered momentum by scholars and practitioners alike. During the last ten years, the CSR literature has increasingly started to conceptualize corporations as political actors (Matten & Crane, 2005; Wettstein, 2009; Hsieh, 2009; Néron & Norman, 2008; Palazzo & Scherer, 2006; van Oosterhout, 2008) (Scherer & Palazzo, 2011; Scherer & Palazzo, 2007). This thesis will focus on 'political CSR' (Scherer & Palazzo, 2011; Scherer & Palazzo, 2007), which has become recently the new normative benchmark for theorizing the political role and responsibilities of MNCs within the business and society and the business ethics literature. In a nutshell, political CSR suggests an

> "extended model of governance with business firms contributing to global regulation and providing public goods. It goes beyond the instrumental view on politics in order to develop a new understanding of global politics where private actors such as corporations and civil society organizations play an active role in the democratic regulation and control of market transactions" (Scherer & Palazzo, 2011, p. 901).

This new frame of reference was found particularly relevant as a theoretical background for this PhD thesis since it provides a politically enlarged conceptualization of CSR. The emerging political engagement of corporations and the concurrent growing positive and negative impact of corporations cannot be explained within the mainstream liberal theory of the firm (Barley, 2007 for the negative impact; Walsh, 2005 for the positive impact in Palazzo & Scherer, 2008). And current theorizing on CSR and MNCs' role in the contemporary political order is mainly confined to the economic theory of the firm (Garriga & Melé, 2004; Margolis & Walsh, 2003; Scherer & Palazzo, 2007), which broadly agrees on business occasionally 'doing' political activities. Political CSR's new frame of theorizing is based on a comprehensive literature review of recent research in the overall debate on the business-society interface and includes adjacent disciplines such as global governance, political philosophy and legal studies.

While Scherer and Palazzo's literature review have provided a sophisticated alternative normative framework for theorizing on the political role and responsibilities, it has not been matched with sound empirical evidence. When I developed this research project in 2009, the normative framework of political CSR was still in 'the making' and no empirical study has researched its empirical implications. Still today, they have seldom been studied empirically in-depth and over time (Frynas & Stephens, 2014) and examplary cases of political CSR such as the Forest Stewardship Council have been criticized for a lack of input legitimacy (Edward & Willmott, 2011) and output legitimacy (Moog, Spicer, & Böhm, 2015). This thesis will address this gap with an in-depth case study of the multinational company Royal Dutch Shell[1]. The in-depth analysis of Shell is salient for developing new theoretical insights for its distinct company characteristics, its complex operating environment and the author's privileged access to affected stakeholders.

1.2. Theoretical background: towards a framework of political CSR

Since political CSR's recently developed frame for theorizing has not been formalized into a conceptual framework (Palazzo, 2012) and there is no agreed-upon definition

[1] Royal Dutch Shell plc. and the companies in which it directly or indirectly owns investments are separate and distinct entities. But in this thesis, the collective expression 'Shell' may be used for convenience where reference is made in general to these companies.

among political CSR scholars (Frynas & Stephens, 2014), I will outline in the following section the main dimensions of political CSR. This section also serves to complement relevant theoretical background information of the studies of this thesis, which have not been published due to the constraints of the respective publication outlet.

Current theorizing on CSR and MNC's role in the contemporary political order is mainly confined to the economic theory of the firm (Garriga & Melé, 2004; Margolis & Walsh, 2003; Scherer & Palazzo, 2007). This literature broadly agrees on business occasionally 'doing' political activities and highly contests the political nature of the firm - in the sense of actually 'being' a political actor in itself. This economic view of CSR is based on four premises: (1) the nation-state has the containment power to regulate business activities, to provide public goods, and to compensate or avoid externalities (Sundaram & Inkpen, 2004, pp. 354-355); (2) corporations have to focus on profit maximization and managers on their fiduciary responsibilities to shareholders (Friedman, 1970; Sundaram & Inkpen, 2004); (3) societal responsibilities can only be assumed if they are instrumental for the long-term value of the firm (Friedman, 1970; Jensen, 2002; McWilliams & Siegel, 2001; Sundaram & Inkpen, 2004); and (4) there is a strict separation of private and public domains (Friedman, 1962; Jensen, 2002). However, the emerging political engagement of corporations provokes many questions for globalized CSR theory and practice and has led to a call for a politically enlarged conceptualization of CSR (Dubbink, 2004; Margolis & Walsh, 2003; Matten & Crane, 2005). As a consequence, a lively scholarly debate has evolved about the political roles and responsibilities of corporations. The debate has spanned across a range of disciplines including political science (e.g. Cutler, Haufler, & Porter, 1999), legal studies (e.g. Clapham, 2006), philosophy (e.g. Young, 2006), management studies (e.g. Boddewyn & Brewer, 1994), and sociology (e.g. Burris, 2001).

Within the business ethics and business and society literatures, 'political CSR' (Scherer & Palazzo, 2011) has become the new normative benchmark for theorizing MNCs' engagement in global regulation and public goods problems within their CSR policies. It is based upon conceptual ideas of the Habermasian concept of deliberative democracy (Habermas, 1996b; Habermas, 1998a; Habermas, 2001), Young's concept of social connectedness (Young, 2006) and (normative) stakeholder theory (Donaldson & Preston, 1995, p. 71). This normative societal frame of reference also extends a body of work that positively describes and explains, the political duties and activities of MNCs as "extended corporate citizenship" (Matten & Crane, 2005), and "corporations as government" (Crane, Matten & Moon, 2008: chaps. 3,4, 8). Scherer and Palazzo define political CSR as an "extended model of governance with business firms contributing to global regulation and providing public goods" (Scherer & Palazzo, 2011, p. 901). The authors claim that MNCs should, and already do, engage in traditional government activities of political and social regulation even in areas not directly related to their business (Scherer & Palazzo, 2007) and operate as new providers of public goods (Scherer & Palazzo, 2011; Scherer et al., 2009). In other words, business firms' interaction with the political sphere should be in the name of the public interest (Scherer et al., 2009, p. 577) which blurs the traditional boundaries between the political and economic spheres of society (Scherer & Palazzo, 2011, p. 905). The authors claim that this new political conception of CSR aims at producing a paradigm shift in CSR studies (Scherer & Palazzo, 2011) as it challenges the traditional economic conception of the business firm and the related instrumental conception of CSR (e.g. Friedman, 1970; Jensen, 2002; McWilliams & Siegel, 2001; Porter & Kramer, 2011; Sundaram & Inkpen, 2004).

Political CSR is strongly associated with the globalist transition process. In the author's words, "the politicization of the corporation seems to be the unavoidable consequence of the emerging democratic governance in a world society without a world state" (Scherer et al., 2006, p. 84). The authors hold that the national context of governance is eroding in developed and developing countries alike due to the limits of juridical and enforcement mechanisms beyond national borders and the limits of positive law and bureaucracy to solve conflicts and coordination issues (Djelic & Sahlin-Andersson, 2006; Habermas, 2001). At the international level, neither nation-states nor international institutions alone are able to sufficiently regulate the global economy and to provide global public goods due to unclear, non-existent rules of the global game, lack of expertise relevant to global issues, and a lack of enforcement power and monitoring capability (Braithwaite & Drahos, 2000; Wolf, 2005 in Scherer & Palazzo, 2011). Thus, a central idea of the discussion is that globalization erodes the traditional divisions of moral labor between the political and economic spheres of society leading to the politicization of business firms in a way that goes beyond the scope of instrumental CSR (Scherer & Palazzo, 2007; 2008; 2011; Scherer, Palazzo & Matten, 2009; Dubbink, 2004; Kobrin, 2001).

A political role of MNC is seen by Scherer and Palazzo to be legitimate within a new societal frame of reference of five interrelated legitimacy dimensions: Multi-stakeholder governance, reliance on soft law, political responsibility, moral legitimacy, and deliberative democracy. With this framework, the "legitimacy of corporate activities can be normatively accessed when no universal criteria of ethical behavior are available in a post-modern and post-national world" (Scherer & Palazzo, 2011, p. 906). In the following I further conceptualize these five dimensions to establish a first theoretical framework of political CSR as a baseline for this thesis. Table 1 provides an overview of the legitimacy dimensions and political CSR's main assumptions.

1.2.1. Multi-stakeholder governance

The first legitimacy dimension is related to MNC's engagement in political processes associated with solving societal problems in cooperation with at least one of the two actors – civil society and governments. This type of collaboration has been discussed under various labels such as public policy networks (deLeon & Varda, 2009; Hajer & Wagenaar, 2003; Reinicke, 1998; Reinicke & Deng, 2000), private government (Mendel, 2010), or MSI (Martens, 2007). They are characterized by a "decentring of authority and an emergence of political power and authority for originally non-political and non-state actors, such as NGOs, intergovernmental organizations, and MNCs" (Beck, 2000; Risse, 2002; Zürn, 2002) in (Scherer & Palazzo, 2011, p. 904). The changing ontology of the governance of public issues is characterized by a network logic (Detomasi, 2007). Thus, it relies on decentralized "structures and processes of governing beyond the state where there exists no supreme or singular political authority" (Held & MCGrew, 2002, p. 8). On the one hand governance regimes have shifted from a domestic to a global logic (Koenig-Archibugi, 2004) as a new form of trans-national regulation: global governance, the definition and implementation of standards of behavior with global reach (Scherer & Palazzo, 2011, p. 909). On the other hand, at the local level, the trend towards private businesses achieving public goals is nowhere "more evident than in developing countries" (Valente & Crane, 2010, p. 52) where the state systems fail to administer citizenship rights and corporations are increasingly expected to fill the void (Matten & Crane, 2005; Valente, 2010). In sum, (Scherer et al., 2006, p. 522) assume that this political embeddedness of corporate decision making increases corporate legitimacy and at the same time launches a learning process through which democratization effects are strengthened. Global governance "arenas of deliberation can thus function as schools of democracy" (Fung, 2003, p. 52 in). In other words, to address the legitimacy deficit, MNC should engage in global governance regimes to regulate the global economy and provide global public goods.

1.2.2. Reliance on soft-law

The second legitimacy dimension advances a form of regulation that is characterized by voluntary action (low level of obligation), imprecise rules, and delegation of authority to non-state actors (Scherer & Palazzo, 2011). The shift of regulatory authority to the global level and a regulatory vacuum at the local level in many developing countries confronts MNCs with the need to regulate the so-called 'side-effects' of their business activities themselves which are "typically not viewed as essential to their core economic activities" (Haufler, 2001, p. 14). Here, MNCs should engage at different levels with other members of MSI – typically NGOs or government actors – in a political and decentralized deliberation process that aims at addressing regulatory challenges: 1) provision of learning platforms; 2) issue of certifications and labels; 3) development of behavioral standards and 4) mechanisms of auditing and compliance (Palazzo & Scherer, 2010). These 'soft law' initiatives are based on 'civil regulation', that is, "voluntary, private, non-state industry and cross-industry codes that specify the responsibilities of global firms for addressing labor practices, environmental performance, and human rights policies" (Vogel, 2010, p. 68). In sum, Scherer and Palazzo assume that through their engagement in processes of self-regulation, corporations "become subjects of new forms of democratic processes of control and legitimacy" (Scherer & Palazzo, 2011, p. 918). In other words, to address the legitimacy deficit, MNCs should engage in self-regulation based on voluntary action, imprecise rules and delegation of authority to non-state actors.

1.2.3. Political responsibility

In line with the changing ontology of governance regimes, the third legitimacy dimension assumes that MNCs should “operate with an enlarged understanding of responsibility and help to solve political problems in cooperation with state actors and civil society actors” (Scherer & Palazzo, 2011, p. 918; Scherer & Palazzo, 2008, p. 16). This concept of responsibility is based on Young’s model of social interconnectedness and interdependence in that it assumes a network logic in problems and a network logic for the solutions as well (Young, 2006; Young, 2008). In this sense, political responsibility is not left to MNCs alone, but includes a broad set of actors who are involved in human rights violations, or social and environmental issues, qua structural connectedness (Young, 2004). In other words, non-state actors also become objects of legitimacy claims who can be held responsible for "an action that caused a harm even if they did not intend the outcome” (Young, 2004, p. 368 in Scherer et al. 2006, p. 521) Under this liability model, one assigns responsibility to a particular agent (or agents) whose actions can be shown to be causally connected to the circumstances for which responsibility is sought” (Young, 2006, p. 116). Thus, this broader concept of responsibilities for injustices expands the narrower concept of complicity (Clapham, 2006) or the contractual relationship as advocated by the theory of the firm and agency theory (Jensen, 2002; Sundaram & Inkpen, 2004). In sum, Scherer and Palazzo (2011) hold that this concept of political responsibility is legitimate for its turn from the economic, utility-driven, and output-oriented view on CSR to a communication-driven and input oriented concept of organizational responsibility (Scherer & Palazzo, 2011, p. 913). Thus, to address the legitimacy deficit, MNC should engage in a political responsibility based on social interconnectedness and communication.

1.2.4. Moral legitimacy

For Scherer and Palazzo, the fourth legitimacy dimension is associated with a shift from pragmatic and cognitive legitimacy to moral legitimacy (Suchman, 1995). To preserve their legitimacy, MNCs should adopt “a pro-social logic that differs fundamentally from narrow self-interest” (Suchman, 1995, p. 579 in Scherer & Palazzo, 2011). Moral legitimacy is also “socially and argumentatively constructed by means of considering reasons to justify certain actions, practices, or institutions and is thus present in discourses between the corporation and its relevant publics" (Scherer & Palazzo, 2011, p. 916) and rests on the 'forceless force of the better argument' (Habermas, 1990, p. 185 in Scherer & Palazzo, 2011, p. 916). Thus, the legitimacy of the political role of MNCs is expressed in a strong link between corporate decision-making and processes of will-formation in a corporation's stakeholder network (Young, 2003 in Palazzo & Scherer, 2006, p. 79). In other words, a new way of preserving MNCs' legitimacy consists of a complex communicative process of accountability in which societal limits to profit making are defined and redefined in a continuous process of deliberative discourse (Palazzo & Scherer, 2006, p. 82). In sum, to address the legitimacy deficit, political CSR proposes that MNCs should adopt moral legitimacy, which is socially and argumentatively constructed.

1.2.5. Deliberative democracy

The fifth legitimacy dimension advances a concept of deliberative democracy based on discursive politics (Habermas, 1996) and the argumentative involvement of the citizens in the decision-making processes themselves (Risse, 2004 in Scherer and Palazzo, 2011, p. 21). In this sense, "democratic legitimacy in this alternative approach is created by a strengthened link between the decisions in the political institutions and the processes of public will-formation as driven by non-governmental organizations, civil movements, and other civil society actors who map, filter, amplify, bundle, and transmit private problems, values, and needs of the citizens (Habermas, 1996 in Scherer and Palazzo, 2011, p. 20). Political CSR scholars discuss the deliberative theory of democracy an alternative model for democratic governance structures for MSI and corporate democratic governance. For example, Mena and Palazzo (2012) depict a set of criteria for a legitimate transfer of regulatory power from traditional democratic nation state processes to private regulatory schemes along input and output legitimacy criteria. Input legitimacy incorporates internal and external accountability. To guarantee internal accountability, corporations must abide by the MSI's rules and accept the MSI as having a rightful authority over them (Nanz, 2006 in Mena & Palazzo, 2012, p. 538). External accountability must ensure that stakeholders who do not participate in the MSI, accept the regulatory regime as having a right to regulate (Bernstein & Cashore, 2007; Black, 2008 in Mena & Palazzo, 2012, p. 538). Thus, input legitimacy is determined by 1) stakeholder inclusion; 2) procedural fairness; 3) consensual orientation, and 4) transparency (Mena & Palazzo, 2012, p. 538). Output legitimacy refers to the capacity of regulatory regimes to effectively take a regulatory role by ensuring 1) coverage; 2) efficacy, and 3) rule enforcement and monitoring (Mena & Palazzo, 2012, p. 539). This conception of deliberative democracy aims to embed MNCs "in processes of democratic will formation and problem solving which implies to open corporate decision-making to civil society discourses and to interact in a governance structure that aims at a broad level of equal participation and deliberation (Scherer & Palazzo, 2011). In other words, to address the legitimacy deficit, political CSR scholarship suggests that MNC should adopt a deliberative concept of corporate governance based on the criteria for input and output legitimacy.

Table 1 Overview of political CSR's main dimensions and assumptions

Dimensions	Assumptions	Criterion	Examples
Multi-stakeholder governance	MNCs should • help to solve political problems in cooperation with state actors and civil society actors • produce global public goods in the area of public health, education, social security, and the protection of human rights and the environment	• MNCs' engagement in public policy • Locus of governance: global and multilevel • Main political actor: MNC, civil society & state • Heterarchic mode of governance (private-public or private-private partnerships) • Domestication of economic rationality & focus on public interest	Forest Stewardship Council: • Global multi-stakeholder initiative • sets forth responsible forestry principles, criteria, and standards, spanning economic, social, and environmental concerns, guiding forest management to sustainable outcomes
Reliance on soft law regulation	MNCs should • implement voluntary standards at different levels: company, industry, global • participate in initiatives that follow various regulatory objectives, from mere dialogue to the definition of standards and processes, or the development of monitoring and sanctioning systems	• Imprecise and informal rules • Monitoring by MNCs themselves or third parties • Low enforcement of rules	• UN Global Compact Principles: Ten principles that focus on human rights, labor, the environment, and anti-corruption • Oil companies' (BP, Chevron, Shell) formulation and formalization of a corporate code of conduct, engagement in CSR activities at the local (community) and global level
Political responsibility	MNCs should • operate with an enlarged understanding of responsibility based on global social connectedness • turn from the economic, utility-driven, and output-oriented view on CSR to a political, communication-driven, and input oriented concept of organizational responsibility • can be hold responsible precisely for things they themselves have not done	• Basis for responsibility: social connectedness (shared responsibility & not isolating perpetrators) & complicity • Judging background conditions to understand mediated connection that agents have to structural injustices • Direction: prospective to find a solution (not backward-looking to attribute guilt) • Sphere of influence: global & broad	• Anti-sweatshop movement pressed claims on consumers and corporations (Nike among others) to take responsibility for sweatshop conditions based on the claim that all who participate by their actions in processes that produce injustice share responsibility for its remedy • Nike's concept of responsibility goes beyond liability, and has an increased credibility due to transparency and accountability based on factory audits and supply chain management
Moral legitimacy	MNCs should • focus on moral legitimacy	• Proactive corporate engagement • Moral legitimacy: input related and discursive	Nike's process of "civil learning":

	• based on processes of active justification vis-à-vis society through communicative engagement in public deliberation		• launched a multi-stakeholder initiatives in collaboration with NGOs, labor organizations, and public bodies • accompanied by growing transparency as well as by stricter monitoring and reporting • implies a proactive sensitivity for ethical challenges and an intensive networking of corporate and public discourses
Deliberative democracy	MNCs should • become subjects of new forms of democratic processes of control based on explicit participation in public processes of political will formation instead of implicit compliance with assumed societal norms and expectations • open corporate decision-making to civil society discourses • interact in a governance structure that aims at a broad level of equal participation and deliberation • be embedded in processes of democratic will formation and problem solving • be monitored and controlled by third party auditors	• Discursive politics • Public deliberation: argumentative involvement of citizens in decision-making processes • Democratic governance structures and processes based on input and output legitimacy criteria	The Forest Stewardship Council: • General Assembly, as the highest decision-making body of the FSC, is organized into three membership chambers - environmental, social, and economic - for balancing the voting power of its diverse members • The FSC certification is approved by independent bodies and the certification process itself contains rigorous standards and independent monitoring procedures Chiquita: • Chiquita transformed antagonistic industrial relations with unions and NGOs into collaborative ones through a strong link between corporate decision-making and processes of will-formation in a corporation's stakeholder network

Source: own elaboration (based on Palazzo, 2012; Scherer & Palazzo, 2011; Scherer & Palazzo, 2008; Scherer et al., 2006; Scherer, Palazzo, & Baumann, 2007; Scherer et al., 2009; Waddock, 2008; Werre, 2003; Zadek, 2004)

Altogether, the concept of political CSR advances a concept of political legitimacy with the following features. Firstly, it is weaker than in the traditional understanding, since it refers to processes of self-regulation and production of transnational ‘soft law’ instead of national hard law and because it refers to the discourses of a globalizing civil society as the source of legitimacy instead of a nationally defined community. Secondly, it is broader because it includes non-state actors as objects of legitimacy claims and expands the understanding of responsibility beyond the common liability concept of responsibility and a shift of corporate attention and money to societal challenges beyond immediate stakeholder pressure (Scherer et al., 2007, p. 1115). Thirdly, it is an input related and discursive concept of legitimacy in that it involves organizations in processes of active justification vis-à-vis society rather than simply responding to the demands of powerful groups (Palazzo & Scherer, 2006, p. 71). With this ‘deliberative turn’, the model of political CSR aims to overcome the public-private divide based on an argumentative mode of legitimacy generation and the embeddedness of corporate political activities in processes of democratic will-formation and control.

1.3. Research gaps and questions

Having established the relevance of political CSR in practice and theory, this section identifies the gaps, which persist in the literature. It also outlines the research questions to address the key gaps.

The political CSR literature is notable for both its conceptual novelty and practical importance. It has contributed to a sophisticated normative framework for theorizing on the political role and responsibilities of MNCs. However, its contribution is limited due to conceptual ambiguities, conflations and/or oversights (Whelan, 2012), and a narrow research agenda that “postulates normative theory to the exclusion of descriptive theory and focuses exclusively on the changes in global governance to the exclusion of the traditional domestic political process” (Frynas & Stephens, 2014, p. 3). Furthermore, previous research has criticized exemplary cases of political CSR for a lack of input (Edward & Willmott, 2011) and output (Moog et al., 2015) legitimacy. While critical management scholars have raised concerns about corporations pursuing their narrow business interests and thus obstructing the rights of citizens (Banerjee, 2008;

Barley, 2007; Barley, 2010; Levy & Egan, 2003; Nyberg, Spicer, & Wright, 2013) and undermining representative democracy and the public good (Barley, 2007), they have seldom been studied empirically in-depth and over time (Frynas & Stephens, 2014; Scherer & Palazzo, 2011). In the following I will outline the specific research gaps and questions for each study.

Chapter 2: Study 1 - The role of oil mayors in supporting sustainable peace and development in Nigeria: the case of Royal Dutch Shell

In chapter 2 I address the need for empirical studies of the political role and responsibilities in the area of peace and development in Africa. When the first study was published in 2010[2], political CSR scholars had developed a first conception of the political aspects of CSR (Scherer & Palazzo, 2007) and research on the preservation of peace provided important insights into the role of business in conflict areas ((Bais & Huijser, 2005; Banfield & Champain, 2004, p. 5; Bennett, 2002; Gerson, 2001; Haufler, 2004; Jamali & Mirshak, 2010; Nelson, 2000; Oetzel, Getz, & Ladek, 2007). Yet, there had been limited research on the scope, peculiarities, and impact of such engagement (Kolk & Lenfant, 2013, p. 43), particularly in African countries with a fragile state and weak governance structure (Visser, 2006). Chaper 2 addresses this gap. To gain a first insight of the practical side of political CSR in the area of conflict and peace management, this case study explores Royal Dutch Shell's peace building approach in Nigeria with regard to the company's triple bottom line – the economic, social, and environmental impact. The research is guided by the exploratory question: What is the economic, social and environmental impact of Shell's CSR policies in supporting sustainable peace and development in Nigeria?

Chapter 3: Study 2 - Royal Dutch Shell in Nigeria: Where Do Responsibilities End?

The findings of chapter 2 and subsequent calls from political CSR scholars (Scherer & Palazzo, 2011) revealed the need for a closer examination of the limits of upstreaming

[2] The first version was published in Spanish: Hennchen, E. (2010). El papel del sector extractivo en el desarrollo sostenible y la paz en Nigeria: el caso de Royal Dutch Shell. In M. Prandi & J. M. Lozano (Eds.), *La RSE en contextos de conflicto y postconflicto: de la gestión del riesgo a la creación de valor* (pp. 135-149). Barcelona: Escuela de Cultura de Paz (UAB)/ Instituto de Innovación Social (ESADE).

responsibility and the conditions of corporate legitimacy based on empirical research. In other words, it is not clear where these demands end and how can we define whether or not a corporation should deal with an issue (Scherer and Palazzo, 2011, p. 919). With regard to the conditions of corporate, political CSR scholars call for a better understanding of what makes the company's political engagement efficient, legitimate and more democratic (Scherer & Palazzo, 2011, p. 920). The third chapter addresses these gaps and poses the overall questions: where do these enlarged responsibilities end? What do these political responsibilities entail? What are the conditions for corporate legitimacy?

Chapter 4: Study 3 – A model of organizational response strategies to political CSR demands: The case of Royal Dutch Shell

While the prior chapters and other scholars have highlighted deviations from the normative benchmark of political CSR (Banerjee, 2007; Barley, 2007; Bromley & Powell, 2012; Frynas, 2009; Nyberg et al., 2013), it remains theoretically underdeveloped and empirically under-explored to what extent companies can and do conform to external institutional pressure to achieve societal outcomes. Notably lacking is a systematic response model paying explicit attention to organizational self-interest, active agency and underlying power relations (Lawrence & Suddaby, 2006; Oliver, 1991) with a focus on the impact of the company's response on affected stakeholders (Banerjee, 2007; Margolis & Walsh, 2003). This third study used an in-depth case study to answer the following questions: How do companies respond to political CSR demands? Under which conditions are the different response strategies likely to be mobilized? How do corporate response strategies affect societal outcomes?

1.4. Research methods

This section gives a broad overview of the research methods used in this thesis. Further detail is provided in the corresponding chapters. This thesis takes a primarily interpretive, qualitative approach to address the previously identified research gaps. In the overall process, one important data analysis tool was the co-development of a teaching case (Hennchen & Lozano, 2012) as suggested by other qualitative analysis (Quinn, 1980) (see Appendix 2).

The methods of this PhD thesis is to “study things in their natural settings, attempting to make sense of, or to interpret, phenomena in terms of the meanings people bring to them” (Denzin & Lincoln, 2000, p. 3). Creswell defines qualitative methods as an inquiry process of understanding that explores a social or human problem, in which the researcher builds a complex, holistic picture, analyses words, reports, detailed views of informants and conducts the study in a natural setting (Creswell, 1998). According to Marshall and Rossman, it enables the researcher to delve into complexities and processes in depth, by exploring where and why policy and local knowledge are at odds (Marshall & Rossman, 1989). Qualitative research has had a challenging history (Boyatzis, 1998; Gioia, Corley, & Hamilton, 2013) and there are several shortcomings involved in using the case study method. It has been claimed, particularly from a positivist approach that case studies are unscientific and biased (Denzin & Lincoln, 2000). In support of a qualitative approach scholars cite the rich descriptions possible in qualitative research (Denzin & Lincoln, 2000) and the need for an interpretative approach to explore ethics and morality in contrast to the dominant economic paradigm of functionalism and rationality (Ghoshal, 2005). Furthermore, case study research is appropriate to use in the early stages of research on a topic (Eisenhardt, 1989a) such as political CSR. Also, Harrison & Freeman (1999) confirm this by stating “case study research is especially critical for the field of business and society, because this field is young and therefore no widely accepted integrating framework exists”. In sum, a qualitative case study is well suited to support and facilitate comprehension of phenomena that is not well understood (Marshall & Rossman, 1995) and to develop existing theory “by pointing to gaps and beginning to fill them” (Siggelkow, 2007, p. 21).

The research strategy of this PhD thesis focuses on understanding the dynamics present within a single setting (Eisenhardt, 1989a). Using a single case study was appropriate and instrumental since the aim is to identify new concepts and to challenge the existing world views (Siggelkow, 2007) and as “a few observations – perhaps even just one – can provide an intensity of information that allows inferences even a large dataset might not reveal” (Morck & Yeung, 2011). I chose Royal Dutch Shell in Nigeria as a case suitable to the phenomena under investigation (Eisenhardt, 1989a; Yin, 1994).

The following chapters have approached the research topic in different ways:

Chapter 2 uses the case study method to explore the phenomenon under investigation. According to Yin (2003), this was appropriate, given that the phenomenon and the context do not have clear borders and in order to answer how questions (Yin, 2003). The dataset is mainly based on extensive archival data representing the voices of all important stakeholder groups on the subject matter. In addition, two in-depth interviews with key informants from both civil society (NGO Social Action) and Shell (Business Advisor to Executive Director Upstream International) have been conducted to increase the credibility and validity of the results.

Chapter 3 takes a hybrid approach to the case study methodology (Fereday & Muir-Cochrane, 2006), combining a theoretical framework with inductive theory building based on 21 in-depth interviews and secondary documents. Categories that emerged in extant theory such as Scherer and Palazzo's (2011) literature review and Young's (2006) model of structural connectedness served as a deductive framework. Thematic analysis (Boyatzis, 1998) was used to analyse the data in an iterative process, moving between theory and data to develop categories. Two authors coded the data independently using Atlas TI and then discussed categories through several iterations.

Chapter 4 uses the case study method to build theory inductively based on Strauss and Corbin (1998). An inductive approach is necessary here because very little is known, theoretically and empirically, about corporate responses to political CSR demands and particularly the impact on societal outcomes. In this way, the aim is to generate meaning from the data collected (Creswell, 1998). Longitudinal qualitative data were collected intermittently over six years (2010-15) coming from multiple sources such as 46 in-depth interviews with 37 informants, informal meetings, and more than 250 secondary documents. I also used a range of field methods and interviewed informants from different professional backgrounds at multiple levels of hierarchy to guarntee a stronger substantiation of constructs (Eisenhardt, 1989a, p. 538) and strengthens confidence in the reliability of findings (Barratt, Choi, & Li, 2011; Jick, 1979). The analysis procedure used the software program ATLAS TI and consisted of 4 stages, a process that allowed to go back and forth between the data and the emerging theoretical arguments (Miles & Huberman, 1994; Strauss & Corbin, 1998). The analysis process aims to uncover corporate responses to institutional demands and for determining why the corporation used the chosen response strategy in line with other qualitative research designs (Leonardi, Neeley, & Gerber, 2012; Mair, Marti, & Ventresca, 2012).

1.5. Structure of the thesis and overview of research studies

This thesis is a monograph, following a three-article format (see Figure 1). The two first studies have been published, while the third has been presented at the 2015 Annual Meeting of the Academy of Management. I have approached this empirical endeavor in different steps in which the different research questions are addressed. They follow a logical (research) flow: each step builds on the previous findings and extends them. Hence, this thesis is organized as a compendium of three studies each of which furthers our knowledge of the process of making sense of the political roles and responsibilities of MNCs in a changing society. In the following I will outline the main points of the research studies and complete information with regard to scientific research (e.g. theoretical background, methods, contribution), which has been omitted in the published version due to the constraints of the respective publication outlet. The main issues of these three research studies are summarized in Table 2. To facilitate the reading of this thesis, all references are included at the end in Chapter 6.

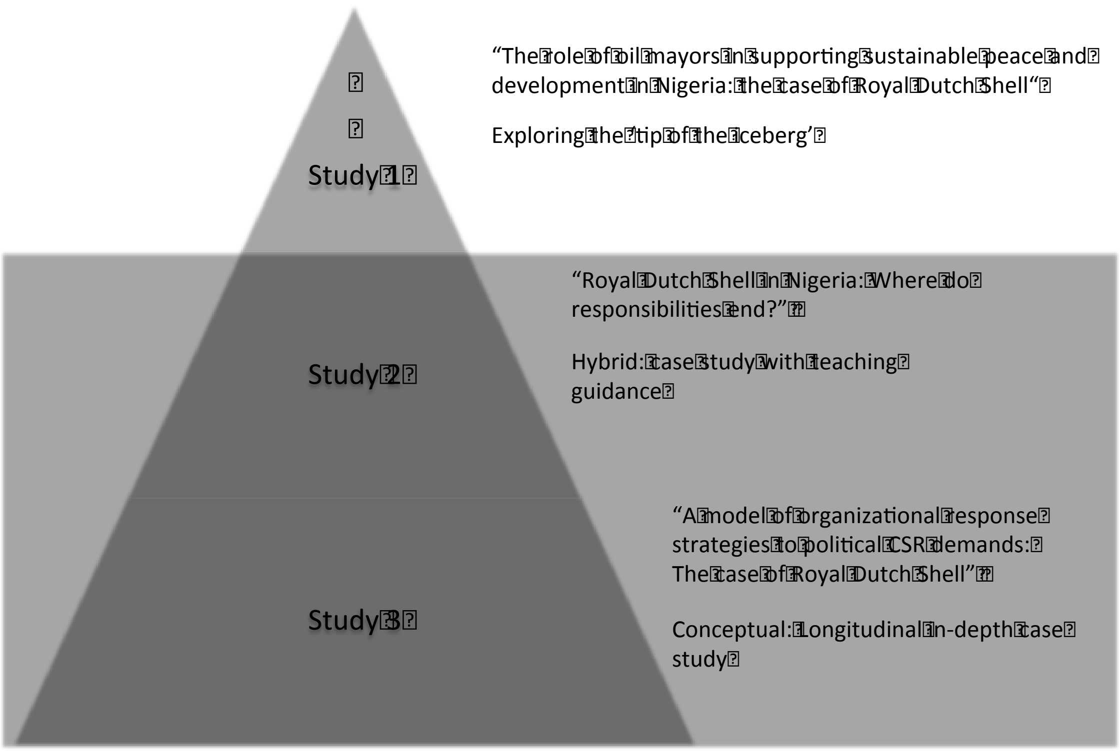

Figure 1. Overview of research studies

1.5.1. Summary of study 1

Chapter 2 is the initial exploratory study for this research, on which the later chapters build. This explorative study examined 'the tip of the iceberg' of a then new and empirically unexplored phenomenon – the political role and responsibilities of the multinational corporation Shell in Nigeria in the area of peace and development. A short version focusing on empirical results was published in English in 2011 as a bookchapter under the title **"The role of oil mayors in supporting sustainable peace and development in Nigeria: the case of Royal Dutch Shell"** (in M. Prandi & J. M. Lozano (Eds.), CSR in conflict and post-conflict environments: from risk management to value creation (pp. 133-147). Barcelona: School for a Culture of Peace (UAB)/Institute for Social Innovation (ESADE). ISBN 978-84-615-5634-2). This study contributes to both the political CSR and the conflict literature by analyzing the scope, peculiarities, and impact of Shell's CSR policies and practices in Nigeria. Before summarizing the main points of the study, I provide some additional information on the theoretical background and method, which has not been published.

In recent years, the potential role of MNCs in helping address conflict issues and furthering peace and reconciliation as part of their CSR policies has received increasing interest (Bais & Huijser, 2005; Bennett, 2002; Gerson, 2001; Haufler, 2004; Jamali & Mirshak, 2010; Nelson, 2000; Oetzel et al., 2007). These developments are also acknowledged by recent theories on the preservation of peace (Dunfee & Fort, 2003; Fort & Schipani, 2004). For example, Banfield and Champain (2004) claim "by adopting a more conflict-sensitive approach in three key areas, foreign businesses can minimize harmful impacts and actively contribute to peace building, with bottom-line gains incurred for business in the process. These areas are: core business, social investment and policy dialogue" (Banfield & Champain, 2004, p. 5). To understand the impact of CSR policies, this case study analyses Royal Dutch Shell's peace building approach in Nigeria with regard to the company's triple bottom line. Thus, the research question asks: What is the economic, social and environmental impact of Shell's political CSR policies in supporting sustainable peace and development in Nigeria?

This exploratory case study is based on an extensive achival data including official (e.g. among others Shell, 1998, 1999, 2010; Shell Nigeria, 2002, 2010a, 2010b, 2010c, 2011) and leaked company reports and communication (WAC Global Services, 2003), civil society organizations (e.g. Amnesty International, 2009a, 2009b; Christian Aid, 2004; ECCR, 2010; Friends of the Earth et al., 2003; SOMO, 2010) and international organizations (UNDP, 2006, 2009). While these data sources present the voices of all important stakeholder groups on the subject matter, two in-depth interviews with key informants from both civil society (NGO Social Action) and Shell (Business Advisor to Executive Director Upstream International) have been conducted to increase the credibility and validity of the results.

The analysis of the dimensions of the conflict in the Niger Delta and Shell's peace building approach as part of the company's CSR policies revealed challenges related to the negative and positive impact of MNC taking responsibilities beyond the economic mandate in a context of a governance void. For the negative side, the analysis has shown that corporate practice was pivotal to the dynamics of local violence and the escalation of insurgent activity. The engagement at the micro or project level within SPDC's CSR policy has had no real impact on how the core business activities are undertaken nor have they ameliorated the negative social and environmental impact of oil production on host communities. On the positive side, the case analysis has also shown that Shell essentially stepped into a governance vacuum and started to deliver on social and economic rights that have been regarded as traditional government activities and commit to self-regulation to protect its 'social license to operate'. Yet, this step into the political sphere has not been sufficiently integrated in theory and praxis and led to an ambiguity with regard to the company's role not only for the company itself but also for others. As a consequence, Shell's approach to peace building is not only inconstant but also lacks integrity.

This first exploratory study contributed both the political CSR and the conflict literature. In particular, the findings of this study shed light on problems with regard to the company's partnership approach and self-regulation to achieve public ends, which questions fundamental legitimacy dimensions of political CSR. In line with the extant theory, this study has shown that the company's partnerships with the Nigerian government and NGOs are not the panacea in tackling conflicts, but can lead instead to question the legitimacy and credibility of this engagement (Idemudia & Ite, 2006) by creating a culture of dependency and weakening the role of government (Boele & Fabig, 2001; Ite, 2003). The study has also revealed the problematic nature of the company's dual role as economic and political actor in such a complex and conflict-prone setting. Contrary to the assumptions of political CSR scholars, the findings question the effectiveness of the company's politicized role due to Shell's lack of consistency and integrity in approaching sustainable peace and development.

1.5.2. Summary of study 2

The second research study **"Royal Dutch Shell in Nigeria: Where do responsibilities end?"** applied a case study methodology with the primary goal of analysing in depth Shell's unique approach to CSR and associated challenges with regard to the company's scope of political responsibility and basis for legitimacy in a complex operating environment. It was published in 2015 in the Journal of Business Ethics (129(1), 1-25, ISSN 0167-4544, DOI 10.1007/s10551-014-2142-7). A first version of this study won the OIKOS case competition in 2012 (see Appendix 2). This case study contributes to scholarly work in political philosophy (Habermas, 1998b; Habermas, 2001; Young, 2004; Young, 2006) as well as subsequent works in political CSR (Palazzo & Scherer, 2008; Scherer & Palazzo, 2011; Scherer & Palazzo, 2007; Scherer et al., 2006). Since parts of the theoretical background of this article have not been published due to constraints of the journal outlet and Scherer and Palazzo (2011) have only broadly elaborated on the scope of MNCs' political responsibility, I include in the following a brief summary of Young's (2006) model of social connectedness and elaborate in more detail on the implications.

Young (2006) took note of the challenges of globally operating MNCs and presented an alternative understanding of responsibility – a political responsibility – based on structural interconnectedness. 'Political' connotes to activities broader than a government's, namely those "in which people organize collectively to regulate or transform some aspect of their shared social conditions, along with the communicative activities in which they try to persuade one another to join such collective action or decide what direction they wish to take it" (Young, 2004, p. 377). Young (2004, 2006, 2008) argues that all actors in the global economy bear in fact a specific political responsibility for global injustices due to their structural connectedness to cases of harm. Young (2006) refers to this as 'structural injustices' since it "occurs as a consequence of many individuals and institutions acting in pursuit of their particular goals and interests, within given institutional rules and accepted norms. All the persons who participate by their actions in the ongoing schemes of cooperation that constitute these structures are responsible for them, in the sense that they are part of the process that causes them. They are not responsible, however, in the sense of having directed the process or intended its outcomes" (Young, 2006: 114). As a consequence, many persons and institutions in very different social and geographic positions are connected to injustices. They share a responsibility for injustices since they act "in pursuit of their particular goals and interests, within given institutional rules and accepted norms" (Young, 2006, p. 114). For example, anti-sweatshop activists have made claims that "consumers and retailers bear responsibility for working conditions in far-away factories, often in other countries" (Young, 2006, p. 107). This social connectedness logic disrupts the dominating perception of liability logic, which derives responsibility "from legal reasoning employed to establish guilt or fault for a harm. Under this liability model, one assigns responsibility to a particular agent (or agents) whose actions can be shown to be causally connected to the circumstances for which responsibility is sought" (Young, 2006, p. 116).

Young (2006) argues that a political responsibility can only be discharged through *collective action.* This interpretation of political responsibilities is derived from social connectedness or "from belonging together with others in a system of interdependent processes of cooperation and competition" (Young, 2006, p. 119). Since it is not possible to isolate those liable in the context of structural injustice, each person is responsible for outcomes in a partial way. Responsibility is *shared* among all actors. Every actor who is part of the network that contributes to structural injustices bears a responsibility. As a consequence, taking a political responsibility under this social connectedness model "involves joining with others to organize collective action to reform unjust structures (Young, 2006, p. 123). Collective action includes all actors that have a mediated (social) connection to structural injustices (Young, 2006). More specifically, agents have a high (political) responsibility to engage in collective action (1) the higher the specific degree of potential or actual power over processes that produce unjust outcomes, (2) the higher the benefit from structural injustices, (3) the higher the interest in structural transformation, and (4) the higher the ease to organize collective action (Young, 2006).

This literature review reveals that scholars have already established a sound normative ground for the scope of political responsibilities (Young, 2006) and the base for corporate legitimacy (Mena & Palazzo, 2012; Scherer & Palazzo, 2011; Scherer, Palazzo, & Seidl, 2013; Scherer, Baumann-Pauly, & Schneider, 2012) (see Chapter 2.1.). However, scholars call for a closer examination of the limits of upstreaming responsibility and the conditions of corporate legitimacy based on empirical research (Scherer & Palazzo, 2011). To address this gap, the following questions are addressed in this study: If indeed, MNCs are political actors and should take over governmental responsibilities where appropriate, where do these enlarged responsibilities end? What do these political responsibilities entail? What are the conditions for corporate legitimacy? To answer the research questions, this study draws on multiple data collection methods such as 21 in-depth interviews and extensive archival data. I used the five dimensions of political CSR (Scherer & Palazzo, 2011), Young's (2006) social connectedness model and Mena and Palazzo's (2012) legitimacy criteria as "a priori" (deductive) theoretical frame for this research.

The analysis of Shell's CSR policies showed that the company started implementing certain political CSR policies into the company's processes and corporate governance structure (e.g. engagement in MSI, reporting). Yet, the findings revealed also important gaps between policy and practice with regard to the prevention and remediation of oil spills. Taking a 'social connectedness lens', the analysis of the scope of Shell's responsibility for social and environmental conditions and the new political responsibility to deliver traditional government services can be limited by taking into account the possibility to isolate perpetrators, the existence of unjust background conditions, forward-looking action, the mediated connection of all actors to structural injustices and the ability to engage in collective action. In the same line of reasoning, the degree of Shell's responsibility ranges from a strong (direct) responsibility to a shared political responsibility depending the issue at stake and the company's power, interest, privilege and collective ability to address it. With regard to the conditions of corporate legitimacy, the study reveals the precarious basis of Shell's legitimacy due to a lack of adhering to input and output legitimacy criteria. The findings have both theoretical and practical implications.

This case study adds to the normative contribution of scholars in political philosophy and the young debate on political CSR by providing insights about the practical side of political responsibilities and the basis for corporate legitimacy. Specifically, it provides an extension of the political CSR framework with regard to the scope of political responsibilities based on Young's (2006) social connection model and Mena & Palazzo's (2012) conditions for input and output legitimacy. With regard to the former, it takes into account the complex structural processes that connect persons and institutions in very different social and geographical positions. The experiences of Shell are an excellent case in point since attention is drawn to the background conditions of globally operating companies, in which the isolation of perpetrators based on causality is not realistic. Furthermore, the findings support political CSR's assumption about the politicized role of MNCs in the context of a local and global governance void.

On the practical side, the case study provides insights for other companies operating in complex environments on the crucial role of learning and adaption over time for two reasons. In the first place, Shell's experiences demonstrate that many companies still hold an apolitical self-perception, but engage at the same time in activities that have been regarded as actual government activities. Yet, this strategic adoption of public responsibilities to maintain their social license to operate implies unforeseen challenges with regard to the company's legitimacy and the scope of responsibility. In a complex operating environment such as Nigeria it requires continuous efforts from part of the company to identify key stakeholder's interests and to go beyond current one-size-fits-all best practices. The case also provides key questions for future managers and students. The appendix contains more specific questions for students, which can be discussed in the classroom.

1.5.3. Summary of study 3

The third research study "**A model of organizational response strategies to political CSR demands: The case of Royal Dutch Shell"** takes the company's dilemma between economic and broader social goals and the lack of research attention to societal impact as a starting point for a systematic empirical inquiry of the oil company Royal Dutch Shell. A first version of this research study has been presented at the 2015 annual conference of the Academy of Management in Vancouver.

My own prior research (chapter 2 & 3) and other scholars have identified that, despite significant progress, we still lack a systematic empirical examination and a systematic model of how corporations can and do conform to political CSR demands. Notably lacking is the explicit attention to the role of organizational self-interest and agency and the impact on outcomes for society (Banerjee, 2007, p. 167; Devinney, 2009, p. 54; Margolis & Walsh, 2003) in particular empirical settings (Bromley & Powell, 2012, p. 519; Brunsson, Rasche, & Seidl, 2012; Frynas & Stephens, 2014). To understand the effect of a company's response to institutional norms for political CSR (as the independent variable so to speak) on societal outcomes (as the so-called dependent variable). I ask in this study: How do companies respond to political CSR demands? Under which conditions are the different response strategies likely to be mobilized? How do corporate response strategies affect societal outcomes? To answer the research questions, I draw on longitudinal qualitative data, which was collected intermittently over six years (2010-15). I used a range of field methods such as in-depth interviews, informal meetings, and extensive archives and interviewed informants from different professional backgrounds (corporate, civil society, academic) at multiple levels of hierarchy (e.g. CEO and intermediate managers) to avoid potential bias.

The emergent model reveals a rather more complex and dynamic picture of MNCs' responses to political CSR demands than that presented in the extant literature and sheds new light on the gap between political CSR activities and public ends. Notably, it makes two important contributions: (1) it identifies previously unidentified responses to normative political CSR demands – namely compromise, internal buffering, defiance and manipulation; and (2) it sheds light on the interests and power relations behind the company’s response strategy.

Table 2 Overview of research studies

Title	Publication/Presentation	Methods, Research focus & RQ	Findings	Contribution
The role of oil mayors in supporting sustainable peace and development in Nigeria: the case of Royal Dutch Shell	Published in M. Prandi & J. M. Lozano (Eds.), CSR in conflict and post-conflict environments: from risk management to value creation (pp. 133-147). Barcelona: School for a Culture of Peace (UAB)/Institute for Social Innovation (ESADE). ISBN 978-84-615-5634-2 Presented at the European Academy of Business in Society (EABIS), Annual Colloquium, Sant Petersburg, September 2010.	Exploratory case study: • Addresses the 'tip of the iceberg' of a then new and empirically unexplored phenomenon • A first exploration of the practical side of the political aspects of CSR in the area of conflict and peace management and its economic, social, and environmental impact RQ: What is the economic, social and environmental impact of Shell's political CSR policies in supporting sustainable peace and development in Nigeria?	Study revealed challenges related to the negative and positive impact of MNCs taking responsibilities beyond the economic mandate in a context of a governance void Negative: • Corporate practice escalated the dynamics of local violence and insurgent activity • No amelioration of the negative social and environmental impact of oil production on host communities Positive: • Shell filled a governance vacuum and started to deliver on social and economic rights that have been regarded as traditional government activities and commit to self-regulation • This step into the political sphere has not been sufficiently integrated in theory and praxis and led to an ambiguity with regard to the company's role not only for the company itself but also for others	Methodological: First empirical insights into a then new and empirically unexplored phenomenon – the political role and responsibilities of the multinational corporation Shell in Nigeria Theoretical: study contributed to both the political CSR and the conflict literature by depicting the scope, peculiarities, and impact of CSR policies and practices in the area of peace and development and in the context of a governance void The findings question fundamental legitimacy dimensions of political CSR as they reveal shortcomings with regard to the company's partnership approach and self-regulation to achieve public ends • The findings also question the effectiveness of the company's dual role as a political and economic actor due to Shell's lack of consistency and integrity in approaching peace and development
Royal Dutch Shell in Nigeria: Where do responsibilities end?	Published in the Journal of Business Ethics, 129(1), 1-25 Presented at the European Business Ethics Network (EBEN), Lille, September 2013	Hybrid approach to case study methodology: • Addresses the call for a closer examination of the limits of upstreaming responsibility and the conditions of corporate legitimacy based on empirical research	The findings reveal that • Shell's engagement in traditional government responsibilities and global MSI has offset the strict division of labor between private business and nation state governance • the scope of Shell's responsibility for social and environmental conditions is limited taking into account the possibility	Study advances scholarly work in political philosophy (Habermas, 1998b; Habermas, 2001; Young, 2004; Young, 2006) as well as subsequent works in political CSR (Palazzo & Scherer, 2008; Scherer & Palazzo, 2011; Scherer & Palazzo, 2007; Scherer et al., 2006)

		• Includes teaching guidance for students RQ: where do these enlarged responsibilities end? What do these political responsibilities entail? What are the conditions for corporate legitimacy?	to isolate perpetrators, the existence of unjust background conditions, forward-looking action, the mediated connection of all actors to structural injustices and the ability to engage in collective action • the degree of Shell's responsibility ranges from a strong (direct) responsibility to a shared political responsibility depending the issue at stake and the company's power, interest, privilege and collective ability to address it • the precarious conditions of Shell's legitimacy due to a lack of implementing input and output legitimacy criteria	On the theoretical side, the study • supports political CSR's assumption about the politicized role of MNCs in the context of a local and global governance void • provides an extension of the political CSR framework with regard to the scope of political responsibilities based on Young's (2006) social connection model and Mena & Palazzo's (2012) conditions for input and output legitimacy On the practical side, the case study provides • insights for other companies operating in complex environments on the crucial role of learning and adaption over time • key questions for future managers and students
A model of organizational response strategies to political CSR demands: The case of Royal Dutch Shell	Presented at the Academy of Management (AOM), Annual Conference, Vancouver, August 2015. Symposium Presentation	Inductive longitudinal case study: Model of corporate response strategies and determinants to institutional demands for political CSR RQ: How do companies respond to political CSR demands? Under which conditions are the different response strategies likely to be mobilized? How do corporate response strategies affect societal outcomes?	The study reveals • dynamic responses to normative political CSR demands ranging from compromise, internal buffering, defiance to manipulation • Response determinants such as the company's rationales and power relations • The predominantly negative societal impact	The emergent model reveals a rather more complex and dynamic picture of MNCs' responses to political CSR demands than that presented in the extant literature and sheds new light on the gap between political CSR activities and public ends • it identifies previously unidentified responses to normative political CSR demands – namely compromise, internal buffering, defiance and manipulation • it sheds light on the interests and power relations behind the company's response strategy

1.6. Overall contribution: A new perspective on political CSR

Through the researching and writing of this PhD thesis and the article, book chapter, and teaching case which resulted from it, I have been able to provide empirical and conceptual arguments for a perspective on political CSR that has previously not been promoted. Since the political CSR field is dominated by institutional theory and stakeholder theory (Frynas & Stephens, 2014) the critical findings depicted here also contribute to future theory development in this body of literature.

First, I provide empirical insights into the predominantly normative debate on the political role and responsibilities with regard to public goods issues such as peace, transparency and community development in Africa. In particular, Chapter 2 contributes to the literature addressing the potential role of MNCs in helping address conflict issues as part of their CSR policies (Bais & Huijser, 2005; Bennett, 2002; Gerson, 2001; Haufler, 2004; Jamali & Mirshak, 2010; Nelson, 2000; Oetzel et al., 2007) and theories on the preservation of peace (Dunfee & Fort, 2003; Fort & Schipani, 2004). Notably, the in-depth and longitudinal study of the company Shell has shed light on the 'dark side' not only of the company's (mal)practices, but also regarding the weaknesses of the broader system of business and society, i.e. the democratic control over a powerful MNCs in a global and local context with a non-existent or weak regulatory authority. In this sense, the findings of this PhD thesis challenge the predominantly positivist assumptions and the 'bright side' bias of exemplary cases of political CSR (e.g. Forest Stewardship Council).

Second, this PhD thesis sheds light on the limits of upstreaming responsibilities and the basis for corporate legitimacy in a context of a governance void. In particular chapter 3 highlights the global interconnectedness of the oil industry. It thus makes an interesting case in point with regard to the background conditions of globally operating companies, in which the isolation of perpetrators based on causality is not realistic. The PhD thesis also reveals the particular legitimacy challenges, which MNCs face in the context of increasing demands to take on public responsibilities while respecting their economic mandate. Accordingly, I advance scholarly work in political philosophy (Habermas, 1998b; Habermas, 2001; Young, 2004; Young, 2006) as well as subsequent works in political CSR (Palazzo & Scherer, 2008; Scherer & Palazzo, 2011; Scherer & Palazzo, 2007; Scherer et al., 2006).

Third, this PhD thesis introduces the role of organizational self-interest, active agency and power in organizational responses to political CSR demands. Building on insights from chapter 2 and 3, chapter 4 conceptualizes a response model to institutional demands for political CSR, which identifies previously unidentified responses and reveals the interests and power relations behind the company's response strategy. The PhD thesis thus follows a call from critical management scholars to shed light on motivations and interests (Barley, 2007; Whelan, 2012) and the underlying power relations (Banerjee, 2007; Levy & Scully, 2007), which can obstruct the rights of citizens (Nyberg et al., 2013) and undermine representative democracy and the public good (Barley, 2007).

The findings thus challenge predominant assumptions in the political CSR literature and in institutional theory. They assume that MNCs passively acquiescence to institutional demands for political CSR and that any deviation of corporate policies or practices from institutional demands is considered unintended and a transitory (Boxenbaum & Jonsson, 2008; Bromley & Powell, 2012; Haack, Schoeneborn, & Wickert, 2012; Matten & Moon, 2008; Scherer & Palazzo, 2011; Waddock, 2008) as it does not provide general legitimacy benefits (Bromley & Powell, 2012, p. 516) and thus may not be a viable long-term option for adopters of CSR-related practices (Haack et al., 2012). Contrary to these predominant assumptions, chapter 4 in particular reveals a complex and dynamic process of corporate responses, which is extended over time, and somewhat indeterminate and with predominantly negative consequences for public ends. The PhD thesis thus supports recent work on means-end decoupling (Bromley & Powell, 2012; Wijen, 2014) and active contestation (Levy, 2008; Levy, Reinecke, & Manning, 2015) and as new, and potentially more consequential forms of deviation from institutional demands such as the normative benchmark of political CSR.

The three studies in the following chapters thus constitute the body of this PhD thesis. Each of them appears in its original publishing format. A final section of synthesized discussion and conclusions ensues after the three studies. The outcomes of my thesis have been interpreted with an eye towards guiding scholars, corporate managers and policy makers that work directly on the phenomenon of MNC's political role and responsibilities, as well as on other inter-disciplinary emerging phenomena where similar dynamics might be present.

Chapter 2: Study 1 – The role of oil mayors in supporting sustainable peace and development in Nigeria: the case of Royal Dutch Shell

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2.1. Introduction

In recent years, growing awareness of social and environmental injustice caused by irresponsible business behavior (Epstein, 1987; Matthews, Goodpaster, & Nash, 1985) has led to a declining legitimacy and trust (Lodge & Wilson, 2006) in corporations. Also, due to the historical role of oil in distorting Nigeria's political development and perpetuating its conflict, the involvement of the same companies in contributing to development and peace building is often viewed with cynicism.

Yet, in the light of global expansion and increased power of multinational corporations (MNCs), companies are also increasingly expected to (pro-) actively play a role as 'agents of world benefit' (Maak, 2009, p. 361). Analyses of managerial practice as well as of theoretical cross-disciplinary discourse reveal that business firms have already begun to become part of the solution. In this respect, business firms engage in private-public policy networks to contribute to the regulation of global issues (e.g.,(Reinicke et al., 2000); play an important role in global governance (Risse, 2002; Wolf, 2005) and the production of global goods (Braithwaite & Drahos, 2000; Kaul, Conceição, Le Goulven, & Mendoza, 2003); take on activities that have been regarded as traditional government activities (Margolis & Walsh, 2003; Matten & Crane, 2005) or even assume a stake-like role to protect, enable and implement citizenship rights (Marshall, 1965); and commit to self-regulation and the definition of and adherence to ethical codes (Cragg, 2005) to fill gaps in legal regulation and moral orientation (Scherer & Smid, 2000). These developments are also acknowledged by recent theories on the preservation of peace (Dunfee & Fort, 2003; Fort & Schipani, 2004). For example, Banfield and Champain (2004) claim "by adopting a more conflict-sensitive approach in three key areas, foreign businesses can minimize harmful impacts and actively contribute to peace building, with bottom-line gains incurred for business in the process. These areas are: core business, social investment and policy dialogue" (Banfield & Champain, 2004, p. 5).

In order to shed light on current corporate practice in this area, this paper will develop its case study by reviewing findings from the an extensive literature available on this topic and interviews with key representatives from civil society (NGO Social Action) and Royal Dutch Shell (senior employee) as they relate to these questions.

We proceed as follows. In the next chapter we briefly flesh out the dimensions of the conflict in the Niger Delta and the role MNCs such as Shell play. In the third chapter we focus on Shell's peace building approach within its CSR program and crystallize the concrete proposals for the different dimensions of the conflict. The last chapter concludes.

2.2. Conflict in Nigeria: setting the scene

To grasp the transformation of the Niger delta into a space of insurgency Watts (2008) identifies a key number of processes. First, ethno-nationalism is a central force in a region of sixty or more ethnic groups and a powerful set of institutions of customary rule. This was central for example to both the Ogoni movement in the 1990s and to the Ijaw – the largest ethnic minorities in the Delta – since the establishment of the Ijaw Youth Congress in 1998. The exclusion from the oil wealth while suffering all the social and environmental costs of oil operations became central to the emergence of a new sort of youth politics in which a new generation of youth leaders took up the struggle.

The second dimension is the unwillingness and inability of the Nigerian state in its military and civilian guises to address this political mobilization in the Delta without resorting to state-imposed violence by an undisciplined military, police and security forces. In this sense the failure of the non-violent politics of the Ogoni movement left behind a generation of militants whose frustrations were further propelled by undisciplined violence of state security forces to secure 'national oil assets' even after return to civilian rule in 1999. Thus, the political mobilization of the youth turned from a sort of peaceful civic nationalism towards militancy.

Third, the militant groups and the rise of youth politics began to challenge both customary forms of chiefly power, and the corruption of the petro-state. While many militias draw substance from grievances due to exclusion and marginalization and unmet goals of peaceful struggle, others paradoxically got their start by being bankrolled by the state and politicians. For example, "the NDF and NPDVF were both fuelled by machine politicians during the notoriously corrupt 1999 and 2003 elections" (Watts, 2008, p. 15).

And fourth, the existence and proliferation of oil theft or 'oil bunkering' provides a financial mechanism through which militants can finance their operations and attract recruits. The organization of the oil theft trade involves high ranking military, government official and merchants, draws upon the local militia to organize and protect the tapping of pipelines and the movement of barges through the creeks and ultimately offshore to large tankers.

Fifth, corporate practice also contributes to an environment in which military activity was in effect encouraged and facilitated. Watts (2008) names for example the funding of youth groups as security forces, the willingness to use military and security forces against protestors and militants alike, and the corrupt practices of distributing rents to local community elites and the use of violent youth groups to 'protect' their facilities (Watts, 2008, p. 16). This short description of the key processes allows fleshing out some key actors involved in the Niger Delta conflict (see Table 3 below).

Table 3 Overview of key actors in the Niger Delta

Armed groups	Non-violent movements and civil society associations	Government	Oil companies
Movement for the Emancipation of the Niger Delta (MEND) Niger Delta Vigilante Niger Delta People's Volunteer Force Gangs and self-defense militias or 'Cults'	Movement for the Supervival of the Ogoni People (MOSOP) Ijaw Youth Council (IYC)	Joint Task Force Political Parties and local state governors	Private security companies 'Surveillance' contracts with local militias

Source: own elaboration based on Stakeholder Democracy Network

The analysis of the dimensions of the conflict in the Niger Delta has shown that corporate practice was essential to the dynamics of local violence and the escalation of insurgent activity. This has been acknowledged not only by several researchers, but also by a consultancy hired by Shell. A report (which leaked in December 2003) concluded that the company itself " is part of the conflict dynamics […] and corporate practices can lead to conflict" (WAC Global Services, 2003). The report stated furthermore that the oil companies' "social license to operate is significantly eroding" (ibid.). The Nigeria case highlights how the operations of oil can be generative not simply of conflict and violence but also of conditions in which human rights violations can occur.

Yet, in recent years, growing awareness of the general public and companies alike has led to an increasing engagement of MNCs in peace building and conflict prevention amongst others. Shell has been a forerunner in this field and started to implement an ambitious CSR program when faced with mounting community protest and violence and international pressure particularly after the Ogoni events in the Niger Delta in the mid 1990s.

2.3. Role of oil major Shell in peacebuilding in Nigeria

Shell has been active in Nigeria since 1936. When the company faced a reputational dent in 1995 over the Ogoni and the Brent Spar incidents, Shell has undertaken a serious review of its attitude and activities in the region and has carried out internal and external consultations about its practices in the region in line with the company's statement of General Business Principles, which it adopted in 1997. The principles focused on five major areas of responsibility to shareholders, customers, employees, business partners, and the society (the host communities) and on its economic, social and environmental responsibilities. In line with Shell's formulation of its three strategic areas – economic, social and environmental – we analyze in the next sections its impact on conflict prevention and peace building.

2.3.1. Profit: economic impact

Shell Petroleum Development Company's (SPDC) economic impact is important for both the company and the Nigerian government. In 2009, SPDC's operations contributed around 9% of Shell's global oil and gas production (Royal Dutch Shell, 2009a, p. 22). As the leader of the petroleum industry in Nigeria SPDC has the largest acreage in the country from which it produces some 39 per cent of the nation's oil and contributed about $36 billion in taxes and royalties to the Nigerian government in the period between 2005 and 2009 (Shell Nigeria, 2010a, p. 1). Furthermore, SPDC's operations have an important impact on the wider economy, employing around 6,000 staff and contractors from which about 95% of them are Nigerian, and approximately 20,000 indirect third party contractor staff. Additionally, 90% of the total number of contracts awarded by Shell companies in Nigeria (worth more than $900 million) went to Nigerian companies (Shell Nigeria, 2010a).

Yet the oil industry has limited linkage (employment) effects. The oil sector usually accounts only between one and two percent of the workforce. Müller (2010) states that "this produces a 'labor aristocracy' and underemployment among the unskilled workforce" (Müller, 2010, p. 10) which is abundant in the Niger Delta. For example, the Niger Delta Regional Development Master Plan informs that adult literacy status of the Niger Delta States is around 78% (Federal Republic of Nigeria, 2006, p. 87). Consequently, workers are 'imported' from both abroad or non-'host' communities often belonging to another ethnic group, which is especially critical with regard to enhancing existing inter-community and -ethnic tensions. Also, expatriate workers of various sorts and host-country nationals are said to create an 'apartheid'-like working and living environment prone to conflict (UNRISD, 2002) (Vitalis, 2002). Furthermore, Watts (2004) finds that "in other cases, the growth of boomtowns around oil compounds has produced the massive proliferation of prostitution and the sex trade which the oil industry has done nothing to regulate or control" (Watts, 2004, p. 18).

Also following the rise of armed and unemployed youth gangs in the Niger Delta, Shell has adopted a policy of appeasement that involves hiring youths to protect their pipelines and other facilities from attacks. The same applies to contracts for cleaning up oil spills. While the company sees this as a compliance with their stakeholder engagement and promise to provide employment to host communities, these 'surveillance' contracts essentially perpetuates the cycle of violence for two reasons. First, contracts are awarded to the youth groups to 'protect' the facilities from other youth gangs, which creates competition (and eventually conflict) over contracts among the different groups. Second, in a context of extreme poverty this system provides the wrong incentives in that it encourages the communities to 'create' work (i.e. incentivizes sabotage). Thus, the system has not only become a method of pay-offs for illegal action of vandalism or theft through a legitimized contract system, but also a 'monetary' mechanism for empowerment of some Shell-selected community members. This has essentially distorted established traditional power structures and contest over the new social and financial status of 'contracted personnel' (Social Action, interview 21.04.2010).

Shell's economic impact has not impacted on poverty or inequality levels. With a present average per capita income of US$1160 (World Bank), it is one of the poorest countries in the world. In 1970 just before the oil boom, 19 million Nigerians lived below the poverty line. Nearly $400 billion oil earnings later, 90 million or more Nigerians live in poverty (Sala-i-Martin & Subramanian, 2003, p. 4). The rate of poverty ($1 a day) expanded from 28 percent in 1980 to 71 percent in 1999. Similarly, income inequality has risen and income disparities are quite high by international standards (Akanji, 2000). As poverty and conflict are often closely interconnected this is an important case in point.

Contrary to Shell's intentions to contribute economic development and conflict prevention, disputes over recognition and reward systems have resulted in civil unrest and increasing violence to an extent that the company's "social license to operate is significantly eroding" (WAC Global Services, 2003). The company has already acknowledged that these "cash payments – made to chiefs, politicians, youth groups – to secure the flow of oil (and hopefully some degree of stability) were to be abandoned" (Watts, 2004, p. 25). Yet, the accomplishment of this proposition and the impact of the company's economic activity on local economic opportunities remain to be seen. In complex environment such as the Niger Delta the success will depend also on other issues such as corruption and state induced violence. Thus, an enabling environment is crucial to an effective approach to peace building.

2.3.2. People: social outcome

The most important contribution Shell companies in Nigeria make to society is through the monies they pay to the federal government – approximately $36 billion in taxes and royalties from 2005-2008. In addition to these payments, in 2008 Shell companies and their partners administered over $158.2 million (Shell share $56.8 million) to the Niger Delta Development Commission (NDDC) as required by law. In the same year, the operations run by the SPDC contributed a further $84 million (Shell share $25.2 million) to community development (CD) projects focusing on a range of activities. These promote and support small businesses, agriculture, skills training, education, healthcare, micro lending and capacity building (Royal Dutch Shell, 2009a, p. 22). As a direct effort to peace-building Shell like other oil companies are paying a monthly contribution to the amnesty program run by the government.

While in the past SPDC negotiated individual projects village by village, SPDC has recently introduced a new way of engaging with local people and built a significant CD team employing more developing specialists than the Nigerian government (Hertz, 2001, p. 174). The new model is based on agreements with groups of communities called Global Memoranda of Understanding, which are negotiated with the help of intermediaries or Community Liaison Officers (CLOs). CLOs also respond to community grievances, identify needs in a participatory process with the community and transmit community assistance proposals for the CD program to the company.

In a context of government marginalization and the fact that SPDC's presence in the Niger Delta precedes the formation of the nation-state, it is not surprising that the communities in the Niger Delta perceive SPDC as a proxy for government. To dispel community perceptions and to increase the effectiveness and legitimacy of their CD program, Shell increasingly started to partner with the government, international organizations and NGOs. With the government SPDC not only built a partnership with the NDDC but also provided further non-mandatory support in the provision of development infrastructure in the Niger Delta, developed technical and managerial capacity of NDDC's key staff, organized workshops for leaders at state and local government levels about governance and community development and aligned its community development plans with other oil companies (Jacoba Schouten, 2010, p. 221). As the potential of bringing benefits to all parties depends on transparency among other factors (Ite, 2006), Shell has embarked on another cooperation with the government: the Nigerian Extractive Industry Transparency Initiative (NEITI).

Shell in 1997 became the first among the oil multinationals to declare publicly its support for the Universal Declaration of Human Rights; and the company has addressed this issue in subsequent years in its report on the company's financial, social and environmental duties (Pegg, 1999, pp. 474-475). With regard to human rights and security, the 2010 SPDC report asserts that SPDC prioritizes the safety of its staff and supports the peaceful resolution of conflicts. Therefore, Shell and SPDC have implemented the Voluntary Principles on Security and Human Rights (VPs) in the operations in the Delta and also engage various government agencies (including the National Human Rights Commission), security authorities and other organizations on how the company can contribute to better implementing VPs in the country (Shell Nigeria, 2010c, p. 2).

In the area of conflict resolution and human rights, SPDC has also provided training to field-based contracted security personnel and supernumerary police assigned by the Nigeria Police Force to SPDC since 2007. The training's objective is to raise awareness of the Voluntary Principles and the obligations they establish, and to provide practical help in applying them. This program is run by the CLEEN Foundation, and endorsed by the Danish Institute for Human Rights. As of December 2009, 472 people have been trained. And in the period 2005-2009 around 3,300 SPDC staff and contractors had received similar training (Shell Nigeria, 2010c, p. 2).

Yet, Shell's CSR engagement has clearly come after the fact. With the event of Saro-Wiwa's execution, the plight of the Ogoni people was brought to the attention of the international community and contributed to spurring interest in the cause by many civil society organizations such as Human Rights Watch, Greenpeace, the Body Shop, and the UK's Channel 4 television (Zell, p.4 quoted in McLaren, 2000, p. 18). The internationalization of the Niger Delta crisis has forced the major key players – the Nigerian state and the MNCs – to review their attitudes towards the region's plight. Their response has been two-fold: both soft and hard. And both with essential shortcomings involved.

As outlined above, the soft-response involved the creation of a CSR agenda addressing developmental needs through agencies like the NDDC and direct intervention efforts in community development and social responsibility. Also dialogue has been established as an important strategy of community engagement. As described above, dialogue with communities takes place with local elders, youth groups and others that hold authority at the village level with the help of intermediaries or CLOs. CLOs are placed through their role in a powerful position, which has been misused not infrequently for personal gain. Furthermore, community members who have been excluded from this role have also heavily contested the CLOs new social and financial status (Social Action, interview 21.04.2010).

Yet, these efforts are often perceived as paltry when viewed against the backdrop of the economic benefits taken out of the region and the persisting poverty and violence. For example, in a memorandum presented by Shell to the Commission of Inquiry on the Warri crisis, the company stated that it has made modest efforts to address some of the demands of the Niger Delta people. Also, Ojakorotu informs that Shell's Corporate External Relations manager, Mr. Precious Omuku, stated that Shell's contribution towards social services and infrastructure in the region's development could be likened to drops in the Ocean when the needs of the local people are juxtaposed with what the company makes out of the region in term of profits. He also confirmed that the company's community development interventions were concentrated in the municipal cities of Warri, Ughelli, Port Harcourt, Aba, Owerri and Bonny while the more remote swampy areas remained unchanged and untouched (Ojakorotu, 2008, p. 110).

On the hard side, both MNC and the government "have continued, overtly and covertly, their militarization of the region under the guise of security, thus inflicting more violence on the Niger Delta people" (Ojakorotu, 2008, p. 115). Pegg (1999) reveals that the company has been implicated in a number of human rights violations in the Niger Delta since the 1997 declaration. For example, the author states that the company has not only been involved in incidents in which security forces attacked local communities in the Niger Delta but also in the purchase of weapons and the maintenance of its own police – known as the 'Shell-police' – in the region (Pegg, 1999: 475).

The current partnership approach is said to have had limited contribution to sustainable development to transforming the Niger Delta from an enclave at war to one at peace. First, Idemudia's analysis suggests that the positive impact on host communities is essentially constrained by fact that "CD programs neither has had any real impact on how the core business activities of oil MNCs are undertaken or have they ameliorated the negative social and environmental impact of oil production on host communities" (Idemudia, 2007, p. 2). This is because stakeholder engagement seems to be rather motivated by risk management at the community level and the concern to be a good corporate citizen or philanthropy at the government level (and to ensure their social and economic license respectively) than to change its core practices and reduce its harmful externalities in the first place. Second, Shola Omotola (2007) indicates that NDDC's underperforms essentially due to "the character of the Nigerian state, which remains predatory, rent-seeking, and above all, lacking in autonomy" (Shola Omotola, 2007). Also International Alert finds that Shell's "fundamental aim of building a good reputation distorted both its meaningful engagement with peace and development issues and the quality of its engagement with stakeholders. Peace building and sustainable development processes cannot be micro-managed" (Banfield & Champain, 2004, p. 20).

2.3.3. Planet: environmental impact

Shell companies in Nigeria are officially committed to reduce any negative impact of their operations on the environment. SPDC has invested in projects to end flaring, to reduce spills from operational failures and has also taken action to protect biodiversity in the Niger Delta (Shell Nigeria, 2010b).

However, Friends of the Earth estimates that the amount of oil spilled by Shell in Nigeria in the past 50 years is almost five times the amount leaked by British Petroleum in the Gulf Coast so far (Real World Radio). Also, a study carried out by international and Nigerian environmental experts in 2006 stated that the Niger Delta is "one of the world's most severely petroleum-impacted ecosystems" (Nigerian Conservation Foundation, WWF UK, International Union for Conservation of Nature, Commission on Environmental, & Environment, 2006). These facts are not new. The Niger Delta Environment Survey, already found in the 1990s, but never published, that:

> " [A]nalysis done in this study has shown the significant impact of oil production activities on the landscape of the Niger Delta. Many land use categories that were not there in 1960 increasingly gained prominence […] e.g., dredged canals, flare sites, burrow pits, pipelines […] The significant environmental impact of oil production activities is also highlighted by the emergence on the landscape of such land use categories as saltwater impacted forest, submerged mangrove, dredge spoil and open bare surfaces."

Jonathan Amakiri, Executive Director, Niger Delta Environment Survey in (Amnesty International, 2009b, p. 20)

It has also been investigated that “the damage from oil operations is chronic and cumulative, and has acted synergistically with other sources of environmental stress to result in a severely impaired coastal ecosystem and compromised the livelihoods and health of the region’s impoverished residents” (Nigerian Conservation Foundation et al., 2006). Likewise the UNDP 2006 report asserts that “for many people, this loss has been a direct route into poverty, as natural resources have traditionally been primary sources of sustenance” (UNDP, 2006).

However, responsibilities are very much disputed. While Shell claims to have reduced significantly its oil spills and attributes the majority of current oil spills to sabotage, many civil society organizations criticize corroded infrastructure and failure to clean up subsequent oil spills. Also, as previously mentioned, Shell has created an incentive mechanism encouraging sabotage, vandalism or theft through ‘surveillance’ or clean-up contract system.

Further controversy causes Shell’s neglect to disclose information that would contribute important information on oil leaks from its oil pipelines in the Niger Delta; even in a legal framework. Milieudefensie says that “the company’s behavior shows that it is concealing information to avoid having to clean up its pollution and begin compensating the local communities” (Friends of the Earth Netherlands in (Real World Radio). Since 1958, when the first oil well was drilled at Oloibiri, many environmental problems related to oil operations have been reported. UNDP states in its 2006 report (UNDP, 2006) that the main problems are:

- Canalization destroying freshwater ecological systems
- Oil spills occurring accidentally or through sabotage by local people
- Gas leaks and flares producing hydrocarbons that effect the water organisms, biodiversity and is being emitted into the atmosphere (acid rain, global warming)
- Land subsidence
- Depletion of forest resources and biodiversity, canalization, and land subsidence are causing erosion

The environmental predicament also contributes to social and economic deprivation and is eventually a touchstone for grievances leading to conflict. “The issues at stake include rapid and uncontrolled urbanization, occupational changes, the loss of fishing grounds, the disappearance of livelihoods and land shortages, among others” (UNDP, 2006, pp. 80-81). Thus, environmental management issues are highly germane not only to development and to any poverty reduction strategy for the Niger Delta region but also to peace-management efforts, where nearly 60 per cent of the population depends on the natural environment living and non-living for their livelihoods (UNDP, 2006, p. 74).

2.4. Conclusion

In our case analysis we have outlined that the engagement at the micro or project level within SPDC’s CD program has had no real impact on how the core business activities are undertaken nor have they ameliorated the negative social and environmental impact of oil production on host communities. Also International Alert finds that Shell’s “fundamental aim of building a good reputation distorted both its meaningful engagement with peace and development issues and the quality of its engagement with stakeholders” (Banfield & Champain, 2004, p. 20). Thus, the environmental predicament is eventually a touchstone for grievances leading to conflict.

Persisting economic and social deprivation due to a lack of employment possibilities with oil companies and a loss of their livelihoods has important implications for conflict at the local and global level. Especially in the Niger Delta a deadly dynamic that surged from anger and fury about the exclusion from oil benefits is morphing into a huge international criminal enterprise challenging not only local governments but also global governance institutions in such areas as petroleum smuggling, illicit drugs trafficking, commercial fraud and identity theft. At the local level, the relatively small percentage of local people hired by oil companies in comparison to expatriates is perceived as unfair. Also, in a context of severe poverty the illegal trade of oil ‘bunkering’ and violence around governorship elections represent a new source of income and eventually a new step on the descent into generalized violence.

Our case analysis has also shown that Shell essentially stepped into a governance vacuum and started to deliver on social and economic rights that have been regarded as traditional government activities and commit to self-regulation to protect their ‘social license to operate'. Yet, this step into the political sphere has not been sufficiently integrated in theory and praxis and led to an ambiguity with regard to the company's role not only for the company itself but also for others. For example, in 1996, Philip Watts (chief executive of Shell in Nigeria from 1991-94) described Shell's identity as follows: "Shell companies are not just economic actors; nor can they be social activists however. Their role lies somewhere in between, as responsible, efficient and acceptable organizations acting on the changing world stage" (Mitchell, 1998). As a consequence, the company's attempt to balance between these two types of organization – economic and political – Shell's approach to peace building based on its triple bottom line is not only inconstant but also lacks integrity. With regard to communities, this ambiguity and lack of consistency has contributed essentially to conflict for two reasons. First, by delivering social and economic rights roles and responsibilities of the public and the private sector become fluid to the extent that communities perceive the oil companies as "the only government they know" (Chandler, 2000, pp. 7-8) with the consequence that communities started to target their demands directly to Shell. Yet, Shell's unilateral approach was problematic for several reasons: it further undermined government authority (Chandler, 2000, p. 16); the community development program was not effective due to Shell's insufficient expertise in development programs; Shell lacked legitimacy as it is formally only accountable to its shareholders; for Shell its politicized nature presented a significant business risk as community perceptions may become unmanageable and a dependency relationship may develop; and eventually unfulfilled promises and expectations only increased existing tensions and conflict. To address these inefficiencies, SPDC has signed partnerships with the United Nations Development Program (UNDP), USAID, and Africare amongst others. Notwithstanding, while the partnering approach served to pool complementary assets and ultimately enhanced the efficacy and legitimacy of Shell's CSR agenda, the Niger Delta paradox remains; "In fact, it is worse" (Social Action, interview 21.04.2010).

In sum, important changes will be required if there is to be lasting peace. Some of needs we have discussed - large- scale training programs and mass employment schemes, major infrastructure projects, and environmental rehabilitation – will require long-term commitment. The conflict around resource control – not as a matter of money but as a legal, constitutional and political project - will need to address issues such as corruption, the reform of the electoral commission, and transparency. “The oil companies must radically rethink by the same token what passes as responsible business practice” (Watts, 2008, p. 19) and more effectively approach their dual role as economic and political actor in such a complex and conflict-prone setting.

Chapter 3: Study 2 – Royal Dutch Shell in Nigeria: Where do responsibilities end?

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3.1. Abstract

This case study discusses the scope of responsibilities and the basis of legitimacy of multinational corporations (MNC) in a complex operating environment. In January 2013 a precedent was set when Shell was held liable in The Hague for oil pollution in the Niger Delta. The landmark ruling climaxed the ongoing dispute over the scope of Shell's responsibilities for both the company's positive and negative impact. Shell's was considered a forerunner in corporate social responsibility (CSR) and had even assumed public responsibilities in a context of a public responsibility void. However, the company remained a regular target of civil society activism and legal proceedings concerned with malpractice. The court case attracted international attention for its novelty and increasing media and civil society pressure required immediate action. How can Shell respond to this negative publicity to keep its license to operate? What is the scope of the company's responsibilities in such a controversial human rights context? Students are expected to discuss these questions going beyond a simple moralistic or liability thinking. They are encouraged to take into account the complex structural processes that connect persons and institutions in very different social and geographical positions. The experiences of Shell are an excellent case in point since attention is drawn to the background conditions of globally operating companies, in which the isolation of perpetrators based on causality is not realistic. The case also reveals the particular challenges, which MNCs face in the context of increasing demands to take on public responsibilities while respecting their economic mandate.

3.2. Introduction

"The biggest change […] for an international corporation is this extension of responsibility […] beyond just paying your taxes and beyond just relating effectively to communities around your factory fence" (Valente & Crane, 2010, p. 62).

In a landmark ruling on January 30th in 2013, Shell was held liable in The Hague for oil pollution in the Niger Delta. The district court found Shell's subsidiary Shell Petroleum Development Company of Nigeria (SPDC) guilty of neglecting its duty of care in that the company failed to take reasonable steps to stop a foreseeable sabotage from occurring on their crude oil wellhead (Standard, 2013). A precedent was set. It was the first time that a company established in the European Union was held responsible in its own country for abuses committed elsewhere (ibid). The case was of considerable international significance since it stirred up a hot controversy over the scope of responsibilities of Multinational Corporations (MNC) operating in a controversial human rights context and a public responsibility void for both their negative and positive impact. Paradoxically, today, MNC are not just considered the 'bad guys', causing social and environmental harm. They are at the same time considered the solution of global regulation and public goods problems at both, the global level and the local level where public institutions are neither able nor willing to administer citizenship rights or contribute to the public good.

It was true that the court case eclipsed prior accusations over the Shell's operations in the Niger Delta. Shell had an inconvenient past in Nigeria. In 2009 Shell agreed to pay US$15.5 million to settle a lawsuit it was facing in the US for alleged human rights abuses in the Ken Saro-Wiwa case. In 2011, the company had to accept, in the first case of this kind, legal liability in the UK for two massive oil leaks in 2008/2009 as a result of equipment failure. Also, a scientific assessment by the United Nations Environment Program in 2011 criticized Shell over its inadequate oilfield infrastructure and clean-up of oil spills, a practice which did not meet local regulatory requirements, SPDC's own procedures or international best practices.

However, it was also true that Shell operated in an extremely complex environment. Heavily-armed militant groups involved in large-scale oil theft and sabotage were responsible for most of the oil spills and pollution. And the Nigerian Government was neither able to establish the rule of law nor to satisfy the basic socio-economic needs of its poor population. What is more, Royal Dutch Shell had to step in this public responsibility deficit and assume traditional government responsibilities that went beyond legal requirements and traditional corporate social responsibility (CSR) programs. What is the scope of Shell's responsibilities in such a complex operating environment? Is it making things too easy when blaming and shaming Shell alone when a multiplicity of actors are connected to the social and environmental injustices in the Niger Delta? Does Shell have a higher degree of responsibility given the company's privileged position, power, interest, and collective ability? Does the company even have a political responsibility? If so, what does this responsibility entail?

Shell was put in a spotlight for a novel challenge facing many MNCs operating in a complex environment. No benchmark was set, but increasing global media and civil society pressure required immediate attention. How can the company revise its CSR strategies in line with the increasing demand for responsibilities while respecting its economic mandate? How can Shell respond to this negative publicity to keep its license to operate? Should Shell even stop operating in the Niger Delta and give up its assumed public responsibilities? If so, on which legal and ethical grounds?

3.3. Royal Dutch Shell: A company overview

3.3.1. The multinational corporation

Royal Dutch Shell (RDS) was created in 1907 after the merger of British-based Shell Transport Trading Company with and the Netherlands-based Royal Dutch Petroleum Company. Both parent companies traced their origins back to the Far East in the 1890s when they seized the opportunity to supply kerosene from the newly developing Russian oilfields to markets in the Far East and China, thus satisfying the growing demand for oil for the automobile industry and oil-fuelled ships. In 2005, RDS became the single parent company for the two former public parent companies. The company was headquartered in The Hague (Netherlands) and registered in England and Wales. In 2012 Shell was Europe's largest oil producer and the most profitable company worldwide in terms of revenue (US$484 billion) (CNN Money, 2012). The company also employed over 101,000 people and operated in over 90 countries.

RDS and the companies in which it indirectly or directly owns investments were distinct and separate entities from a legal perspective (Shell Nigeria, 2012b). Yet, RDS acted as the financial and strategic centers for the company as a whole and applied a single overall control framework (see Appendix 1) to all wholly-owned Shell companies and to those ventures and other firms in which the company had a controlling interest. The aim was to manage the risk of failure to achieve its business objectives (Shell, 2010).

3.3.2. Nigeria: a cornerstone of Shell's operations

Shell commenced oil production in Nigeria in 1958. In 2009 SPDC contributed around 9% of Shell's global oil and gas production (Royal Dutch Shell, 2009a, p. 22). The wholly-owned Shell company was Nigeria's largest onshore producer controlling around 39% of the nation's oil production. SPDC operated oil and gas production on behalf of the partners in an unincorporated joint venture between the government-owned Nigerian National Petroleum Corporation (NNPC) (55%), Shell (30%), Elf Petroleum Nigeria Ltd (10%), and Agip (5%) (Royal Dutch Shell, 2012a). Through NNPC, the Nigerian government was the major shareholder with a controlling stake and power over changes in production policy. The company's mission included being committed to ensuring "strong economic performance to every aspect of sustainable development" (Shell Nigeria, 2012a).

Shell-owned companies also dominated gas production in the country. In 2011, the company produced 707 million cubic feet per day (MMcf/d) of gas (US Energy Information Administration, 2012). Shell Nigeria Gas Ltd (SNG) was set up in 1998 and operated a gas transmission and distribution pipeline network. The Nigeria Liquefied Natural Gas Company (NLNG), was set up in 1989 and ran one of the world's largest liquefied natural gas (LNG) plants. Shell held a 25.6% share in NLNG, together with NNPC, Total LNG Nigeria Ltd and Eni. A fourth company, Shell Nigeria Exploration and Production Company Ltd (SNEPCO), was created in 1993 to develop Nigeria's offshore energy resources.

3.3.3. CSR and Nigeria: Key parts of Shell's overall governance structure

Shell's overall control framework included CSR policies such as the Health, Safety, Security, Environment and Social Performance Executive (HSSE & SP), the company's Statement of General Business Principles and Code of Conduct (see Appendix 1). Corporate responsibility governance structures were located at the Board of RDS. The overall accountability for sustainable development within Shell lay with the Chief Executive Officer (CEO) and the Executive Committee. They set priorities and standards in sustainable development, which defined standards and accountabilities at each level of the organization. Thus, CSR policies were cascaded down from headquarters to the business units and the supply chain. Yet, the accountability for running Shell's projects and facilities responsibly lay with the company's business managers and each business unit level decided on the individual scope and funding of CSR projects. The Board also monitored compliance. The Corporate and Social Responsibility Committee assists the Board of Directors in reviewing policies and performance, visiting facilities and meeting with government officials, community representatives and local non-governmental organizations (NGOs) (Royal Dutch Shell, 2012c, p. 5).

Due to the importance of Nigeria for Shell in terms of complexity of the local operating environment and the volume of oil production, a permanent Nigeria team was installed at headquarter level. The team existed of four people with either local knowledge and networks due to their previous (senior) positions within SPDC in external affairs and/or community relations or European background and networks within the international society. The team was responsible for partnerships management and external engagement with local and international stakeholders such as Nigerian (local) government institutions, academics, United Nations, NGOs etc. The team also initiated and coordinated international initiatives such as EITI (Extractive Industry Transparency Initiative) with the Nigerian government and engaged with academics on human rights issues related to their business on international conferences (Jacoba Schouten, 2010, p. 223).

3.4. Shell's CSR activities

Shell was a front-running company in the CSR area and became the first among oil multinationals in 1997 to publicly declare its support for the Universal Declaration of Human Rights. The Canadian magazine, Corporate Knights, ranked RDS the world's 20th most sustainable corporation in 2010 due to its proactive management of environmental, social and governance issues (Corporate Knights, 2010) and in 2011 the company was awarded the British-American Business Channing Corporate Citizenship Award. Also, the company's community development projects in Nigeria were presented as a positive case study of CSR by the World Business Council for Sustainable Development, and SPDC was voted "Best Company in most Innovative CSR" in 2011 at the Nigerian Social Enterprise Report and Awards. Corporate Affairs Officer, Tony Attah, commented that "the award is a strong acknowledgement of the work we're doing in the Niger Delta, positively touching lives and helping to develop communities. And we are encouraged to do more" (Shell Nigeria, 2012c). Shell's summarized its approach towards sustainability as follows:

> "The world needs to produce enough energy to keep economies growing, while reducing the impact of energy use on a planet threatened by climate change. Shell works to help meet rising energy demand in a responsible way. That means operating safely, minimizing our impact on the environment and building trust with the communities who are our neighbors. If we fall short of the standards society expects of us, we learn from our experiences to improve the way we operate" (Royal Dutch Shell, 2012c, p. 2).

3.4.1. The Ogoni Case: The origin of Shell's CSR agenda

On May 22nd, 1994, the Nigerian military arrested all of the MOSOP's (Movement for the Survival of the Ogoni People) leaders, including Saro-Wiwa. The latter led a nonviolent campaign against the environmental degradation of Ogoniland's land and water by the multinational petroleum industry, especially RDS. The activists were hastily tried and found guilty on all charges by a special military tribunal, ordering that they be hung in 1995. Their trial and execution were widely seen as having been politically motivated and completely unfounded.

The case provoked a global outcry with Shell in the spotlight. One the one hand, the company was accused of collaborating with the military government to capture and hang the Ogoni men. In 1996 the families of the 'Ogoni Nine' even initiated a lawsuit in a federal court in New York, which "was one of the first cases to charge a multinational corporation with human rights violations" (Pilkington, 2009). Court documents from this Wiwa v. Shell case also alleged that RDS, acting through its subsidiary SPDC, supported the Nigerian military as it attacked villages from August to October 1993, killing over 1,000 people, displacing over 20,000 more, and destroying property using planes, boats and weapons paid for by the company (Evans, Merchant, Fain, & Roberts) 2013).

On the other hand, Shell was also accused of shirking its responsibilities to speak out against the trial of the Ogoni men given the company's undisputed position of power in the country. Shell persisted on the apolitical nature of the company. SPDC stated in a press release that it would be "dangerous and wrong" for Shell to "intervene and use its perceived 'influence' to have the judgment overturned" ((Human Rights Watch, 1999).

Furthermore, the company insisted that it was wrong for “a commercial organization like Shell […] to interfere with the legal processes of any sovereign state” (ibid.). However, the way Shell handled the situation created for many the impression that the company was conspiring with a corrupt government. As a consequence, Shell faced increasing pressure from all sides: consumer boycotts in Europe and North America, shareholder activism through formal resolutions in Europe, increasing levels of community disruption in the Niger Delta, falling share prices and haemorrhaging staff (Pendleton, McClenaghan, Melamed, Bunn, & Graymore, 2004).

3.4.2. Shell’s response: engaging in enlarged (political) responsibilities

Shell executives realized that the company had grown out of touch with societal expectations. Mark Moody-Stuart, then Managing Director, stated that “[in this situation] we had to take a good look at ourselves and say ‘Have we got it right?’” (Guyon, 1997, pp. 121-125). Secret documents that came to light during the Wiwa vs. Shell lawsuit described the company's "crisis management strategy and plan" (Lubbers & Rowell, 2010) in the wake of Saro-Wiwa’s death. Shell considered leaving the country, but eventually decided in favor of “milking the cow” (ibid) and embarked on a comprehensive review of its attitude and activities at different levels.

3.4.2.1. Revising corporate values and processes

In March 1997, Shell rewrote its 1976 Statement of General Business Principles into the statement of General Business Principles based on the core values honesty, integrity and respect for people (see Appendix 1). The eight principles integrated economic, environmental and social considerations into business decision-making and described five inseparable areas of responsibility to shareholders, customers, employees, business partners and society (Royal Dutch Shell, 2012b). These Principles committed the company to adopt an apolitical role and stated that Shell “companies should endeavor always to act commercially, operating within existing national laws in a socially responsible manner and avoid involvement in politics” (Royal Dutch Shell, 2010a). Shell also developed Human Rights Compliance Assessment (HRCA) tools, which provided a step-by-step approach to assess all potential risks of human rights violations. Shell offered training to its employees on the company’s Business Principles and Code of

Conduct and a special course for managers to understand their responsibilities and take action to support human rights (Jacoba Schouten, 2010).

3.4.2.2. Partnering with governmental and non-governmental organizations

At the local level in Nigeria, Shell increased its community development budget of the early 1990s from US$300,000-US$400,000 per year to US$25 million per year in 1996 (Pendleton et al., 2004). Stakeholder engagement via dialogue and partnering became a cornerstone of Shell's strategy "of being a good neighbor". In 2000, Shell set up the Shell Foundation, an independent charity focused on poverty and environmental charities. Community development projects were channeled indirectly through the Foundation and directly through national programs. SPDC's Managing Director Sunmonu disclosed that the company spent in 2010 about US$56.8 million on community development projects in Niger Delta, which "is one of the biggest corporate social responsibility portfolios operated by a private company in Sub-Saharan Africa" (Shell Nigeria, 2011). Sunmonu explained,

> "We also do a lot for our host communities in the area of education, health, and employment generation. For example, we have at least 17,000 students on a Shell scholarship every year. We have a number of economic empowerment schemes aimed at improving the lives of the people in Niger Delta. SPDC currently supports 27 health facilities in Niger Delta. Another important benefit relates to the indirect employment we create through contracts" (SPDC, 2011).

The company also cooperated with national development programs. In 2010, SPDC and SNEPCO gave more than US$161 million (Shell's share was US$59.80 million) to the Niger Delta Development Commission (as required by Law). Sunmonu stated that the company's "largest contribution is through the taxes and royalties we pay to government. In general terms, 95% of our revenue after tax goes back to government" (SPDC, 2011). SPDC's community development initiatives underwent significant change from ad hoc 'assistance' to developmental partnerships with government agencies and NGOs. In 1998, SPDC shifted from unilaterally providing Community Assistance (CA) Programs to a Community Development Approach (CD), grounded in community participation as well as partnering with the public sector and civil society organizations. In 2004, SPDC launched its Sustainable Community Development (SCD) program with an increased focus on partnering as a mechanism to provide CD projects and coordinate with the government's strategic development plans and objectives. In 2006, SPDC introduced a new way of working with communities called the Global Memorandum of Understanding (GMoU). This GMoU represented an important shift in the company's approach, placing emphasis on more transparent and accountable processes, regular communication with grassroots organizations and greater sustainability and conflict prevention (Shell, 2012). Sunmonu explained that this community development program, "managed through a Community Interface Model, is providing social infrastructure, promoting public health and connecting communities to electricity for the first time" (ECCR, 2010, p. 59).

3.4.2.3. Joining global governance initiatives

At the global level, the company initiated a crusade on transparency and business integrity. In October 1996, Shell awarded Shandwick Interactive a contract to develop the www.shell.com Website (Pendleton et al., 2004). In 1998, Shell presented its first sustainability report that outlined a Road Map of how the company planned to integrate sustainable development into its business and published reports in accordance with the Global Reporting Initiative (GRI) and in line with the International Petroleum Industry Environmental Conservation Association (IPIECA) guidelines. To ensure the credibility of its reports, the company established both internal controls such as audit trails and statistical checks and external controls with the help of an external review committee and well-established auditing firms such as KPMG (Royal Dutch Shell, 2009b). The company also incorporated a commitment to business integrity and transparency in its General Business Principles and Code of Conduct in 2006. Furthermore, Shell supported EITI and international human rights initiatives such as the Global Compact, the United Nation Special Representative on business and human rights, John Ruggie, and the Voluntary Principles on Security and Human Rights (VP). With regard to the latter, Shell introduced a clause based on these principles to all new and renewed security contracts and expected these contractors to apply it by 2012 (Royal Dutch Shell, 2009b). In 2002, Shell joined the Global Business Coalition on Health to work in partnerships to help combat the AIDS epidemic in the societies where the company operates. The company also signed the 2002 World Bank-initiated Global Gas Flaring Reduction Partnership (GGFR), it joined the Environmental Defense's Partnership for Climate Action and committed itself to reduce emissions to 1990 levels by 2010. Shell and BP were the only companies listed in KLD Research and Analytics' Global Climate 100 Index, the first investor index comprised of companies focusing on solutions to global warming (Utting & Ives, 2006, p. 19). The company also provided information to the Dow Jones Sustainability Indexes, FTSE4Good, and the Carbon Disclosure Project throughout the year.

3.4.2.4. Incorporating CSR into corporate governance structures

At the corporate level, Shell made the first significant corporate governance restructuring efforts after a broad inquiry of stakeholder perceptions of Shell's reputation and trust from 1995 to 1996. It primarily involved a shift from a geographically-based to a business sector-based structure. The central feature was the dismantling of the three-way matrix and the strengthening of the executive authority of the Committee of Managing Directors by providing a clearer line of authority to both the business organizations and the operating companies (Grant, 2002, p. 10). Also, a permanent Nigeria team was installed at headquarter level to defend the company's position in Nigeria and in July 1996 the company took on four new inhouse senior PR executives (Pendleton et al., 2004). In May 1996, the company employed Shandwick, one of the world's largest PR firms, to repair both its public image and its ability to lobby effectively. In 1999, Shell introduced in a second corporate governance restructuring effort a new Sustainable Development Management Framework which made sustainable development an integral part of the company's daily business. The framework was implemented at the Group level and in key areas of the businesses. Senior chief executives from each of our five core businesses and the heads of the corporate centre directorates formed a Sustainable Development Council to monitor progress across the Group (Shell, 1999, p. 20). The latest corporate governance reform in 2009 sought to embed more sustainability related roles at the core of the company's operations to improve its sustainable development performance and engage earlier with stakeholders. Thus, on behalf of the Board of RDS a Corporate and Social Responsibility Committee assesses Shell's policies and performance with respect to the Business Principles, Code of Conduct, HSSE & SP standards and major issues of public concern (Royal Dutch Shell, 2009a, p. 6).

3.5. Nigeria: A complex operating environment

Nigeria had come to exemplify the 'resource curse'. Five decades of oil extraction in the country had resulted in failed development, poverty, corruption, environmental degradation, ethnic and gang violence, kidnappings, and the like. The World Bank ranked Nigeria only 147th (out of 189 economies) among the best places for doing business for 2014. And in 2013 Nigeria was ranked 16th (out of 177 countries) in the Failed States Index. Nine of the twelve indicators have worsened since 2008, with the most significant in refugees/internally displaced persons, economic decline, and human rights (Messner et al., 2013) (see Appendix 2).

3.5.1. A paradox of want in the midst of plenty: Oil wealth, poverty and violence

In 2011, Nigeria had the second largest oil reserve in Africa and was the continent's primary oil producer. Crude oil production averaged close to 2.13 million barrels per day (bbl/d), and total oil production in Nigeria was slightly over 2.53 million bbl/d. In the wake of the discovery of high quality oil in the Niger Delta and the prospect of ever-increasing oil prices, the oil industry became central to Nigeria's economy. In 2010, the oil sector accounted for approximately 25% of the country's Gross Domestic Product (GDP), 95% of its export earnings and 80% of the government's revenue (Center for Global Development). Also, Foreign Direct Investment (FDI) inflows were heavily focused on the oil industry. For example, the United Nations Commission on Trade and Development (UNCTAD) reported that US$16 billion of the US$26 billion increase in FDI investments to the West African region from 2007 to 2008 were exclusively the result of an increase in new projects in Nigeria's oil industry (UNCTAD, 2009, p. 44). Also, FDI investments in Nigeria increased from US$2.484 billion in 2002 to US$4.659 billion in 2008 (World Bank, 2010).

Oil wealth also had a dark side. The government's dependence on oil broke the link between authority and territoriality, leading to neo-patrimonial governance and corruption. Nigeria became a synonym of a 'rentier state' in which state revenues accrued from taxes or 'rent' on production rather than from productive activity. As a consequence, the government failed to establish a robust tax system and did not thus develop a system of formal accountability to secure domestic legitimacy. Instead, the government focused its efforts on controlling these resource rents by resorting to state-imposed violence through an undisciplined military, police and security forces and securing elite compliance with instrumental benefits including public goods and services, employment opportunities, and lucrative government contracts, among others. This patronage system was essentially established along ethnic and religious lines and thus marginalized and excluded mostly southern groups and non-Muslim northern minorities (Khan, 1994, p. 8).

As a consequence, corruption was rife in Nigeria. Independent corruption indexes corroborated its pervasiveness in Nigeria. For example, Transparency International ranked Nigeria as low as 143rd (out of 183 countries) with a score of 2.4 (out of 10) in its 2011 corruption perception index. Nigeria's Anticorruption Chief claimed, for instance, that 70% of the country's wealth was stolen or wasted in 2003 (Carbonnier, Brugger, & Krause, 2011). Also, Shell's former Senior Vice President, Ann Pickard, voiced her concern to US Ambassador Robin R. Sanders, indicating that,

> "Corruption in the oil sector was worsening by the day. […] Nigerian entities control the lifting of many oil cargoes and there are some "very interesting" people lifting oil (People, she said that were not even in the industry). As an example she said that oil buyers would pay NNPC General Managing Director Yar'Adua, […] Chief Economic Advisor Yakubu, and the First Lady Turai Yar'Adua large bribes, millions of dollars per tanker, to lift oil" (U.S. Embassy Abuja, 2009a).

The distribution of oil revenue and the lack of economic and social development in the oil producing communities was one of the main issues driving political tension, theft, and sabotage in the Niger Delta. While most of the revenue went directly to the federal government's accounts, the host communities suffered all the social and environmental costs of oil operations. In 2011, even more people lived in poverty than before oil was found, and the rural and oil producing communities were the most affected (Ikein & Briggs-Anigboh, 1998). The United Nations Educational, Scientific and Cultural Organization (UNESCO) reported in 2010 that, even at peak production, 92% of the Nigerian population survived on less than US$2 a day. Moreover, in 2007 Nigeria's Human Development Index (HDI) was as low as 0.511, ranking the country 158th out of 182 countries and rendering it unlikely to achieve any of the Millennium Development Goals (MDGs) by 2015. Similarly, Nigeria suffered from a high adult illiteracy rate, poor quality of education and serious health challenges. Malaria was considered the most significant public health problem, and the country was the second most affected by the global HIV/AIDS health crisis. In addition, the International Energy Agency informed that over 49% and 65% of the population in 2009 continued to live without access to electricity and clean cooking facilities, respectively (International Energy Agency, 2011, p. 472).

The grievances due to exclusion and marginalization and unmet goals of peaceful struggle (i.e., the Ogoni movement’s non-violent protests) became central to the emergence of a new sort of youth politics and militant groups in which a new generation of young leaders took up the struggle for regional resource sovereignty. Their frustrations were further propelled by undisciplined violence among state security forces to protect ‘national oil assets’ even after the return to civilian rule in 1999 (Watts, 2008). As a consequence, a kind of Robin Hood scenario emerged to take back profits from foreign oil companies and an unresponsive government: initially, oil theft was used by local militant groups as a mechanism to redistribute wealth into the hands of the poor in the Niger Delta. Yet, in recent years, oil theft or ‘oil bunkering’ proliferated in scale and violence. The sophistication of the theft has led analysts to charge that senior members of the armed forces and high ranking politicians were complicit. They drew upon the local militia to organize and protect the tapping of pipelines and move barges along creeks and rivers and ultimately offshore to large tankers (Watts, 2008). NNPC reported, that pipeline vandalism in 2011 increased by 224% over the previous year (NNPC, 2012, p. 7). According to the Nigerian National Oil Spill Detection and Response Agency (NOSDRA), approximately 2,400 oil spills were reported between 2006 and 2010 that resulted from sabotage, bunkering, and poor infrastructures (US Energy Information Administration, 2012) (see Appendix 2). Shell was hit the hardest by this instability since a large portion of its production was still onshore. In 2011, the company estimated that 6% of the country's total production, on average, was lost to oil bunkering and spills.

3.5.2. Oil sector reform: hope in sight?

In more recent years, the Nigerian government started to demonstrate a commitment to inculcate a culture of honesty and transparency in the public and private sectors through the Corrupt Practices and other Related Offences Act 2000 and the incorporation of EITI into national law in 2007. These initiatives helped shape the quality of reforms and significantly increased the oil sector's awareness and transparency. Also, Nigeria made efforts to increase revenue transparency, and was judged to be compliant with EITI in March 2011. However, EITI also received its fair share of criticism from an interviewee from the Revenue Watch Institute for it did not actually drive reforms but instead piggy-backed on other existing initiatives. Furthermore, a 2005 audit report released in 2009 highlighted unprecedented financial discrepancies, unpaid taxes, and system inefficiencies.

In September 2007, the Oil and Gas Reform Implementation Committee (OGIC) proposed the most comprehensive review of the legal framework for the oil and gas sector in Nigeria since the industry began commercial operations in the 1960s. This Petroleum Industry Bill (PIB) was designed to reform the entire hydrocarbon sector to increase the government's share of revenue, increase natural gas production, streamline the decision-making process by dividing up the NNPC's different roles, including the creation of a profit-driven company, privatize NNPC's downstream activities, and promote local content. The Bill would also provide a greater share of oil revenues to the producing communities and expand the use of natural gas for domestic electricity generation. Parts of this Bill were recently approved as standalone laws such as the Nigerian Content Development Bill in 2010). However, differing versions of the PIB were still being debated, especially more contentious points such as the renegotiation of contracts with international oil companies, the changes in tax and royalty structures and clauses to ensure that companies used or risked losing their assets as penalties. The multinationals' primary point of dissent appeared to be the new fiscal terms which they described as "harsh enough to stall investments" (US Embassy, 2009). A recently leaked US embassy cable revealed, the international oil companies "are quite concerned about the 'very flawed' new petroleum sector energy bill [and] that Shell had more exposure to the loss of acreage than any other company" (US Embassy, 2009). "We could lose 80 percent of our acreage," Ann Pickard said (ibid).

3.5.3. Oil dependence, corporate power and interests

The government heavily depended on oil revenues and international oil companies dominated all aspects of exploration, production, and marketing (Graf, 1988, p. 219). "The whole economy is driven by oil exploration. That is the key thing. As a result of this Shell has a lot of political influence. Politics cannot move without money." This statement of a community relation officer, who is implementing Shell's GMoU approach, depicts how the discovery of oil transformed the political economy and power relations in Nigeria. A Senior Program Advisor for the Africa Governance Monitoring and Advocacy Project claimed that oil companies have the political power to "actively pressure the government regarding such things as tax laws" (Manby, 1999, p. 283). For example, the PIB seemed to grant more favorable terms to Shell and its rivals than originally imagined after much internal 'lobbying'. A lawmaker who was a member of the three committees in the Senate handling the Bill told a Daily Trust reporter that they were put under intense pressure by the Presidency to accommodate some of the demands of the oil majors. "Our intention was to pass the bill as sent to us by the late President Umaru Musa Yar'adua, but these companies put us under intense pressure, they even got the American government to intervene on their behalf. Shortly after his return from the United States early this year when he was Acting President, Jonathan requested that the provisions of the bill be reviewed after which he asked the leadership of the two chambers to look at the issue of tax and reduce it to allow for 'investment' in the sector," he said (Hassan, 2010). An academic researcher working at the Revenue Watch Institute in Abuja added that Shell intervened by "bribing parliament members and paying them trips to conferences to Ghana and the US," in which the new regulatory framework governing investment (Petroleum Industry Bill) in Nigeria was discussed, excluding any participation from civil society actors. In the same line of thought an activist from the NGO Social Action, claimed in an interview,

> "[…] and the officers, they would rather take their mother to court than confront Shell. With the bribes, they will give judgments in favor. So there is […] the

> ordinary people. The voiceless people. […] Shell is the big oil company, the company that has so much influence on the government […].”

The political power the oil industry enjoyed in Nigeria was also documented by recent Wikileaks revelations. In a confidential memo from the US embassy in Abuja dated October 20th, 2009, Ann Pickard, Shell's then Vice President for Sub-Saharan Africa, was quoted as telling US diplomats that Shell had seconded people to all the relevant ministries and that Shell consequently had access to everything that was being done in those government offices (U.S. Embassy Abuja, 2009b). Many civil society actors criticized these tangled links between the oil firm and politicians. Ben Amunwa of the London-based oil watchdog, Platform, stated, “Shell claims to have nothing to do with Nigerian politics,” he said. “In reality, Shell works deep inside the system, and has long exploited political channels in Nigeria to its own advantage” (Smith, 2010). Likewise, an activist from Social Action Nigeria claimed in an interview,

> “Shell and the government of Nigeria are two sides of the same coin. […] Shell is everywhere. They have an eye and an ear in every ministry of Nigeria. They have people on the payroll in every community, which is why they get away with everything. They are more powerful than the Nigerian government.”

3.5.4. Shell is the only government we know

The nature of the corrupt and irresponsive Nigerian government had also inverted traditional roles and responsibilities. Particularly, in the poor areas of the Niger Delta Shell’s direct presence forced the company to engage in traditional public responsibilities. A community relation officer from NIDPRODEV described Shell’s politicized role in an interview

> “The Government is far away. Communities make direct claims to Shell to provide for their needs. Shell is the Government for them. […] Now there are a lot of conflicting interests. Shell wants to go on with its business and has to take into account the changing and very complex environment it is operating now.”

A community relation officer who was working with an NGO implementing Shell’s GMoU approach bewailed the lack of active government participation and effective cooperation. He stated “the Government should enter the social contract with the communities and be more responsive to communities needs. Now it is confusing to work with the Government because there no clear structures and contact partners.” With regard to the government's role, the community relation officer furthermore stated "it is funny, because the Government is not delivering its public responsibilities and now it only monitors what Shell spends on CSR. […] They just control as they fund it within the Joint Venture Partnership." In this public responsibility void, civil society is aware of Shell's positive contribution despite the sometimes-negative impact of its operations. A member from the NGO NIDPRODEV stated in this line of thought

> "many communities also have a higher awareness of these issues and want Shell to operate so that they can survive. […] Communities cannot survive without Shell's provision of socio-economic services, because the Government is not doing anything and thus they ask Shell to stay or come back".

3.6. Shell's scope of responsibilities in Nigeria in the spotlight

Already in 2005 Shell's practices in Nigeria were put in the spotlight despite the formulation and formalization of the company's CSR agenda. The nomination for the Public Eye People's Award revealed increasing public concern and awareness of the company's adverse impacts of its operations on local communities, their livelihoods and the environment. While the company has since then denied responsibility over these accusations, more recent scientific investigations, leaked US embassy and company reports and legal proceedings revealed a gap between the company's formal CSR agenda and its practices on the ground. "The evidence of Shell's bad practice in the Niger Delta is mounting," said Patrick Naagbanton, Coordinator of the local oil watch group, Centre for Environment, Human Rights and Development (Vidal, 2012). Shell's scope of responsibility was disputed again for issues such as environmental degradation and human rights violations. Also, the current lack of dialogue and transparency put the company's legitimacy in question.

3.6.1. Stakeholder engagement: Integrity or hypocrisy?

Interviews with representative civil society actors in 2011 revealed that Shell's engagement with stakeholders was perceived as rhetorical manipulation that did not transcend the company's self-interested position. In this line of thought, one interviewee from Environmental Rights Action claimed, "they ride on the wings of CSR to gain access to oil." In his academic research on Shell's GMoU approach he found that the company focused only on highly visible and salient projects that were consistent with social expectations while leaving the essential machinery of the company's core business (with its negative environmental impact) intact. He criticized also that the company had no direct contact with communities. Shell worked only via NGOs or community officials. Another interviewee from academia explained that this was problematic as "Shell involves NGOs as contractors and not as development organizations. They represent Shell's interests and are only accountable to Shell." Similarly, Nnimmo Bassey from Environmental Rights Action insisted in an interview,

> "Extractive industries such as oil and gas companies must learn to listen to the complaints of the local people in whose territories they carry out their business. […] The Ogoni, the Ilaje, and their fellow protesters chose the best route out of the mire that the Niger Delta has become: through nonviolent dialogue. This is what was demanded ten years ago. This demand still remains to be answered" (*The Oil Industry and Human Rights in the Niger Delta*, 2008).

In addition, a community relation officer from one NGO that was implementing Shell's GMoU approach bewailed in an interview in 2013 the little access to information. "Communities don't have right now enough access to relevant information and facts. So it is not transparent enough. Information is power. Shell could create more power."

3.6.2. Corruption or business as usual?

Revelations published by Global Witness in 2012 revealed how in 2011 Shell and the Italian company Eni agreed to make a payment of US$1.1 billion to acquire an oil concession from the Nigerian government, which landed in the hands of a former Nigerian oil minister and convicted money launderer. Details of this opaque payment only came to light by chance through a court case in New York that focused on a different aspect of the oil deal. Since the court judgment and subsequent statements by the Nigerian Attorney General suggested that Shell and Eni must have been aware that the money would ultimately be transferred to the company controlled by the former oil minister, the case is now the subject of a UK criminal investigation, and also being pursued by the House of Representatives in Nigeria.

Furthermore, in an interview in 2013, the senior specialist in the field of anti-corruption of the NGO Global Witness accused Shell of hypocrisy. Global Witness revealed that while Shell publicly advocates (voluntary) EITI standards to fight corruption, the company was supporting a lawsuit that if successful would destroy U.S. legislation designed to strengthen the EITI standard. The legal action was directed against Section 1504 of the Dodd-Frank Act, which required U.S.-listed extractive companies to publish the payments they make to governments on a project-by-project basis in each country they invest. It also encouraged all oil, gas and mining companies listed in the US to publish their social payments (i.e. to CSR projects) voluntarily. Dominic Eagleton from Global Witness emphasized

> "Section 1504 of the Dodd-Frank Act forces companies to publish the kind of payments made by Shell and Eni in Nigeria. Without this 'sunshine' on natural resource deals, business will continue to be conducted in an opaque environment that enables payments to end up in the wrong hands" (Eagleton, 2013).

3.6.3. Complicity in human rights violations or providing security?

In 2009 Shell agreed to pay US$15.5 million to settle a lawsuit in the US for alleged human rights abuses. This lawsuit alleged that the Nigerian military government and security forces committed human rights violations, including torture and summary execution of MOSOP members, to suppress MOSOP's activities and that Shell was complicit in the commission of these abuses. The company maintained that it "was falsely alleged to have been complicit in the men's death" and agreed to a settlement because they felt "it was time to draw a line under the past and assist the process of reconciliation" (Royal Dutch Shell, 2009a, p. 25). However, civil society interpreted the payment as an admission of guilt of the company's past and ongoing practices of human rights violations.

Indeed, leaked US embassy cables dating from 2003 to 2006 alleged that Shell continued to pay substantial amounts of money to the Nigerian army, navy and Mobile Police Force on a regular basis and provided transportation and accommodation for soldiers notorious for their record of human rights abuses (Consul General Brian L. Browne, 2006; Embassy Abuja, 2003a, 2003b; US Consulate Lagos, 2003). Also in 2012, the NGO

Platform claimed that "Shell, the largest operator in the region, continues to depend on military protection much like it did in the 1990s" (Platform, 2012a). For example, the NGO alleged that Shell's conduct in the town of Rumuekpe led to "the killing and displacement of thousands of local people" in ethnic and communal conflicts between summer 2005 and November 2008 (ibid.).

Moreover, interviews with members from different NGOs in 2011 affirmed that Shell continued to award controversial 'surveillance' contracts or one-off payments to violent youth groups to 'protect' their facilities. A member from the NGO Social Action explained that these contracting practices created competition (and eventually conflict) over contracts among the different groups. As a consequence, the system became a method of pay-offs for vandalism or theft through a legitimized contract system and also a 'monetary' mechanism to empower some Shell-selected community members. This essentially distorted established traditional power structures and raised questions about the new social and financial status of 'contracted personnel'. A Shell manager in Nigeria admitted in an interview with the NGO Platform that these one-off contracts were "just something to keep the youths busy during the Christmas period so that they [would] not be wanting to create jobs for themselves by vandalizing Shell or Elf facilities" (Platform, 2012b). However, Managing Director Sunmonu, saw the hiring of youths as a means to comply with their stakeholder engagement and promise to provide employment to host communities. For example, he responded to questions about the incidents in Rumuekpe as follows: "We are not directly involved in killings in the areas. We focused on education, we promote skill acquisition [and] create jobs for communities" (Platform, 2012b).

3.6.4. Oil spills: rust or sabotage?

In August 2011 a scientific assessment of the United Nations Environment Program criticized the company for its continuing failure to operate fully in accordance with local regulatory requirements, SPDC's own procedures and international best practices. In detail the study concluded with regard to Shell's practices that 1) control, maintenance and decommissioning of oilfield infrastructure in Ogoniland were inadequate and created public safety issues. 2) Remediation by enhanced natural attenuation (RENA) was not effective. Furthermore, SPDC applied this technique on the land surface layer only, while UNEP data showed that contamination could often penetrate deeper than 5 m and had already reached the groundwater in many locations. 3) Ten out of the 15 investigated sites which SPDC records showed as having completed remediation, still had pollution exceeding the SPDC (and government) remediation closure values. 4) Shell’s new Remediation Management System from 2010 still did not meet the local regulatory requirements or international best practices (UNEP, 2011, p.12).

While for many Niger Delta activists the UNEP report affirmed Shell’s direct responsibilities for oil pollution, Managing Director Sunmonu emphasized the government’s responsibility to “take concerted action to curb the illegal activities, in particular oil theft and refining, that are exacerbating so many of the environmental and social issues” (SPDC, 2011b). Furthermore, he called upon more concerted efforts by all stakeholders working together to drive real change in Ogoniland and the wider Niger Delta. Here again, he drew on the state government’s responsibility to “take the lead to co-ordinate the activities of the many stakeholders involved” (ibid).

In August 2011 Shell’s admission of liability for two oil spills in Ogoniland in 2008 and 2009 created a media storm. This was first case of this kind in which Shell had to accept legal liability for two massive oil leaks as a result of equipment failure. Also, it was the first time Royal Dutch Shell plc (RDS) and its subsidiary Shell Petroleum Development Company (Nigeria) ltd (SPDC) faced claims in the UK for damage resulting from an oil spill from its operations in Nigeria (Standard, 2011). In an interview with the Guardian the coordinator for the Centre of Environment and Human Rights in Port Harcourt welcomed the court ruling. However, he also voiced concern over the persisting (unjust) background conditions that still need to be reformed:

> “Shell's admission of liability for two massive oil spills in 2008-09 in my village of Bodo in the Niger Delta is a step forward in the long struggle for corporate accountability. An impoverished village that yesterday lay in ruins has today felt a welcome glimmer of hope and justice. We are happy with the news that Shell could be forced to clean up the environmental devastation it has caused and to pay more than $400m in compensation. But our jubilation is overshadowed by more than five decades of environmental and social injustice yet to be addressed” (Naagbanton, 2011).

The coordinator Patrick Naagbanton also adverted further litigations in that the "courts may now be inundated with legitimate complaints" (ibid.). Also, a 2012 report by the University of Essex on the changing legal landscape for the Multinational Oil Industry alluded "recent allegations that Shell's spending on security to government forces and community groups, where there was a significant risk that these payments would fuel human rights abuses, could lead to further litigation" (Leader et al., 2012).

Indeed, legal pressure was mounting. Accusations over Shell's operations climaxed on January 30th in 2013 when the district court in The Hague held Shell liable in one case for oil pollution in the Niger Delta. The district court found Shell Nigeria guilty of breaching its duty of care and committing the tort of negligence as the company failed to take sufficient measures to prevent sabotage from occurring. It was the first time that a company established in the European Union was held responsible in its own country for abuses committed elsewhere. The lawsuit was part of five separate lawsuits by four Nigerian farmers and fishermen, along with the NGO Milieudefensie, against four Shell entities and their parent company. The claimants demanded compensation for oil pollution damage allegedly caused by poor maintenance of the aging facilities and corroding network of pipes. The Hague court dismissed the other four claims after finding that the oil contamination was caused by sabotage by third persons with no evidence of Shell's negligence in those cases. Importantly, the court also dismissed all claims against Shell Nigeria's parent company RDS, referring to the general rule of Nigerian law according to which a parent company is not obligated to prevent foreign subsidiaries from injuring third parties abroad.

Shell welcomed the court's decision. Managing Director Sunmonu acclaimed "the court's ruling that all spill cases were caused by criminal activity" (Okonedo, 2013) and pointed to the government's responsibility to establish the rule of law in the Delta to prevent further spills. Sunmonu added

> "oil pollution is a problem in Nigeria, affecting the daily lives of people in the Niger Delta. However, the vast majority of oil pollution is caused by oil thieves and illegal refiners. This causes major environmental and economic damage, and is the real tragedy of the Niger Delta. SPDC has made great efforts to raise awareness of the issue with the government of Nigeria, international bodies like

> the UN, the media and NGOs. We will continue to be at the forefront of discussions to find solutions" (Okonedo, 2013).

Also, Royal Dutch Shell's vice president for environment, Allard Castelain, said in an interview with the Spiegel "It's clear that both the parent company, Royal Dutch Shell, as well as the local venture ... has been proven right. […] The complexity lies in the fact that the theft and the sabotage is part of an organized crime" (Der Spiegel, 2013). Shell Netherlands President, Peter de Wit, added "Shell is doing a good job often under difficult circumstances." He insisted that the company applied "global standards" to its operations around the world (Nwachukwu, 2011). In 2011 the company also launched an external oil spills website to demonstrate that the majority of current oil spills are due to sabotage and theft for which they refused any responsibility (Royal Dutch Shell, 2010b, p. 18).

Civil society organizations also celebrated the court ruling. Ken Henshaw, a Niger Delta activist from campaign group Social Action, who has closely followed the case commented "a precedent has been set, it has been made known that Shell can be liable for damages and loss of livelihood" (Harvey & Hirsch, 2013). In the same line of thought, Martyn Day, the lawyer who is representing the Nigerian Bodo community, said

> "Over many years Shell has denied any responsibility for these types of spills resulting from 'bunkering' or sabotage. The Dutch decision in relation to Mr Akpan is therefore a major step forward as it makes Shell aware in no uncertain terms that they have a responsibility to ensure that all steps are taken to ensure the illegal sabotage does not occur" (Standard, 2013).

Furthermore, in May 2013 the NGO Milieudefensie appealed the court's decision, which absolved Shell Headquarters in The Hague from any liability. For Milieudefensie it is clear that the headquarters "is directly responsible: it manages the pipeline network" and "Shell Headquarters in The Hague for all intents and purposes directly manages its foreign subsidiaries" (Milieudefensie, 2013). The NGO "wants Dutch companies to behave the same abroad as they would in their own country and to take responsibility for what happens there" (ibid).

Many Niger Delta activists felt reassured in their claims. According to activists from several NGOs, Shell uses sabotage as an excuse to evade responsibilities for the state of its facilities and negligence to protect its pipelines. One activist stated with regard to the latter that even if sabotage contributed to the spills “You can’t leave 7,000 kilometers of pipeline unguarded” in a poor country like Nigeria (Temper, 2013). Also, unpublished independent reports seen by the Guardian newspaper and interviews conducted by Friends of the Earth Nigeria suggested that ‘Shell must take the blame’ for a sabotage incident in August 2011 on the Bonny pipeline (Vidal, 2011). The company withdrew contracts to monitor and protect the pipeline, which provided the wrong incentives in a context of extreme poverty in that it encouraged ‘creating’ work (i.e., it incentivized sabotage). Livingstone J. Berebo, secretary of the Ikarama Youths group, explained

> “The oil spills in Ikarama are caused by Shell. The youths of Ikarama were pushing for an upward review of the wages paid [by Shell] to surveillance guards and the employment of more persons in the community for the security of the pipelines. [But] we suddenly heard that Shell has stopped the surveillance contract. This is the main reason behind the series of spills experienced in the community recently” (ibid).

The ongoing criticism did not only cause bad publicity for Shell. The NGO Friends of the Earth International also launched an international online campaign targeting Shell. Furthermore, local discontent was increasing and immediately threatened the company’s license to operate. Particularly, the Ogoni called for collective action in face of the recent assignments of corporate guilt and the failure to implement the recommendations of the UNEP report. In December 2013 media reported, “Ogoni protests escalated” (Kane, 203). In a Radio Interview Celestine AkpoBari from the Ogoni Solidarity Forum adverted

> “There is no going back on the 90 day deadline ultimatum delivered to the Nigerian Government and oil companies to implement the UNEP report on oil pollution in Ogoniland. We are mobilizing for a series of non-violent direct actions that will cripple economic activity. […] And it is just the start. In 1993, the Ogoni people stood up to Shell and kicked the company off their land. Shell hasn’t been able to extract oil there since but it doesn’t stop their land being continually polluted by pipelines crisscrossing the area carrying oil for export. [Celestine emphasized] Once the Ogonis start, nobody can stop us!” (ibid.).

3.7. Shell to blame? An inconvenient past – an uncertain future

The landmark ruling in The Hague in 2013 climaxed the ongoing dispute over the scope of Shell’s responsibilities for both the company’s positive and negative impact in a complex operating environment. Shell’s was considered a forerunner in CSR and had assumed public responsibilities that went beyond traditional philanthropy or CSR programs. However, the company remained a regular target of civil society activism and legal proceedings concerned with malpractice. What is more, a precedent was set. Shell was blamed for environmental damage caused abroad.

History seemed to repeat itself. Again, the relevant question was ‘Have we got it right’? If Shell wanted to maintain its license to operate, the company would have to address its public responsibilities more effectively than it has done since the 1990s. But how can Shell redefine its CSR strategy in the realm of public responsibilities while balancing related challenges to its economic and political role? And what is the scope of the company’s responsibilities in such a complex operating environment? In which way is the company connected to social and environmental issues in the Niger Delta? Does Shell have more responsibility than other actors given the company’s privileged position, power, interest and ability for collective action? Can Shell be held responsible for something it did not do or did not support? How can Shell respond to this negative publicity to keep its license to operate? Should Shell even stop operating in the Niger Delta and give up its assumed public responsibilities?

3.8. Appendices

3.8.1. Appendix 1: Information about Shell

Shell General Business Principles

OUR VALUES
Shell employees share a set of core values – honesty, integrity and respect for people. We also firmly believe in the fundamental importance of trust, openness, teamwork and professionalism, and pride in what we do.

SUSTAINABLE DEVELOPMENT
As part of the Business Principles, we commit to contribute to sustainable development. This requires balancing short- and long-term interests, integrating economic, environmental and social considerations into business decision-making.

RESPONSIBILITIES

Shell companies recognize five areas of responsibility. It is the duty of management continuously to assess the priorities and discharge these inseparable responsibilities on the basis of that assessment.

Area of responsibility	Scope of responsibility
Shareholders	Protect shareholders' investment, and provide a long-term return competitive with those of other leading companies in the industry
Customers	Win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact, which are supported by the requisite technological, environmental and commercial expertise
Employees	Respect the human rights of our employees and to provide them with good and safe working conditions, and competitive terms and conditions of employment. To promote the development and best use of the talents of our employees; to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents. To encourage the involvement of employees in the planning and direction of their work; to provide them with channels to report concerns. We recognize that commercial success depends on the full commitment of all employees
Those with whom we do business	Seek mutually beneficial relationships with contractors, suppliers and in joint ventures and to promote the application of these Shell General Business Principles or equivalent principles in such relationships. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationships.
Society	Conduct business as responsible corporate members of society, to comply with applicable laws and regulations, to support fundamental human rights in line with the legitimate role of business, and to give proper regard to health, safety, security and the environment

Source: adapted (Royal Dutch Shell, 2012b)

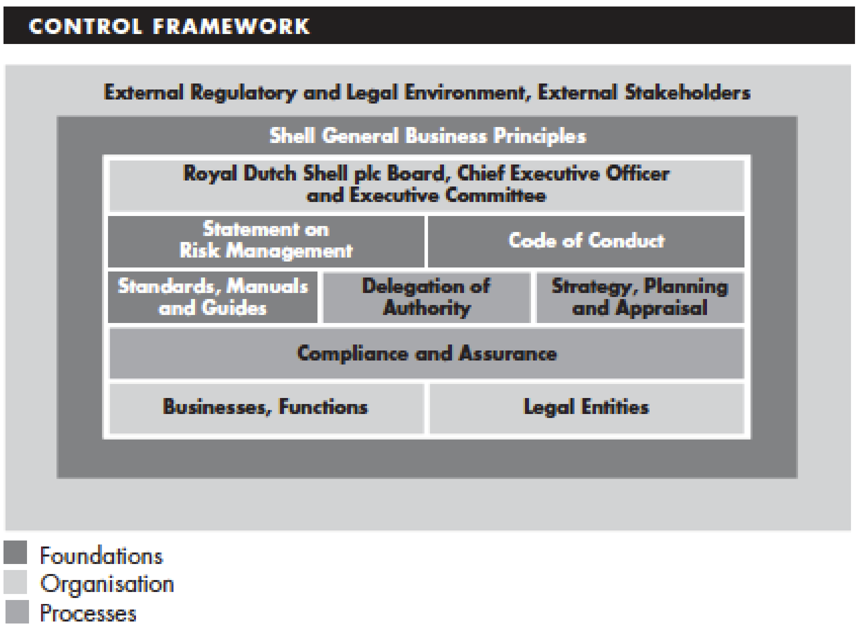
PRINCIPLES

Principle	Content
Economic	Long-term profitability is essential to achieving our business goals and to our continued growth. It is a measure both of efficiency and of the value that customers place on Shell products and services. It supplies the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs. Without profits and a strong financial foundation, it would not be possible to fulfill our responsibilities. Criteria for investment and divestment decisions include sustainable development considerations (economic, social and environmental) and an appraisal of the risks of the investment.
Competition	Shell companies support free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.
Business Integrity	Shell companies insist on honesty, integrity and fairness in all aspects of our business and expect the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and must not be made. Employees must avoid conflicts of interest between their private activities and their part in the conduct of company business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of a Shell

	company must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.
Political activities	a. Of companies: Shell companies act in a socially responsible manner within the laws of the countries in which we operate in pursuit of our legitimate commercial objectives. Shell companies do not make payments to political parties, organizations or their representatives. Shell companies do not take part in party politics. However, when dealing with governments, Shell companies have the right and the responsibility to make our position known on any matters, which affect us, our employees, our customers, our shareholders or local communities in a manner, which is in accordance with our values and the Business Principles. b. Of employees: Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate in the light of local circumstances.
Health, Safety, Security and the Environment	Shell companies have a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement. To this end, Shell companies manage these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance externally. We continually look for ways to reduce the environmental impact of our operations, products and services.
Local Communities	Shell companies aim to be good neighbors by continuously improving the ways in which we contribute directly or indirectly to the general wellbeing of the communities within which we work. We manage the social impacts of our business activities carefully and work with others to enhance the benefits to local communities, and to mitigate any negative impacts from our activities. In addition, Shell companies take a constructive interest in societal matters, directly or indirectly related to our business.
Communication and Engagement	Shell companies recognize that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting of our performance by providing full relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality. In our interactions with employees, business partners and local communities, we seek to listen and respond to them honestly and responsibly.
Compliance	We comply with all applicable laws and regulations of the countries in which we operate.

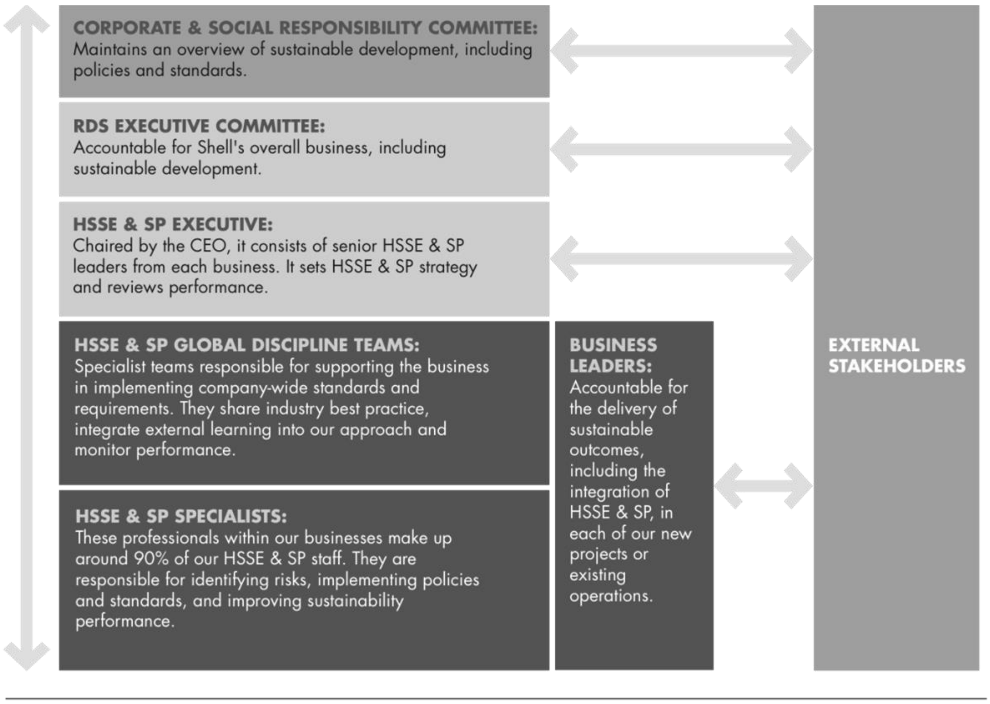
Source: adapted (Royal Dutch Shell, 2012b)

Shell's Control Framework



Note: “Foundations” comprise the objectives, principles and rules that underpin and establish boundaries for Shell’s activities. “Organization” sets out how the various legal entities relate to each other and how their business activities are organized and managed. “Processes” refer to the more material processes, including how authority is delegated, how strategy, planning and appraisal are used to improve performance, how compliance is managed and how assurance is provided. All control activities relate to one or more of these components.
Source: (Shell, 2010)

Overview of Shell’s sustainable development and governance structure



Source: Shell Sustainability Report (2009)

3.8.2. Appendix 2: Information about Nigeria

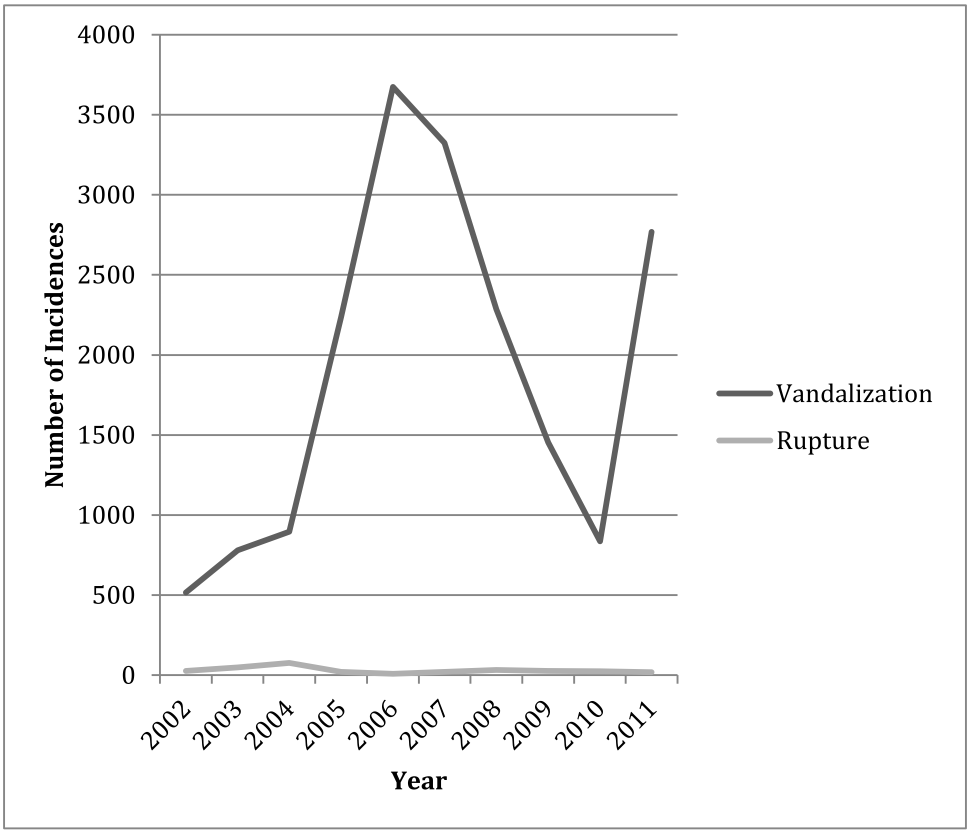
Dimensions of the resource curse: Nigeria in comparison with other African countries

	Economic performance	Governance	Conflicts	Environment	Total
Nigeria	▲▲▲	▲▲▲	▲▲▲	▲▲▲	12
Angola	▲▲	▲▲▲	▲▲	▲▲	9
Sudan	▲	▲▲	▲▲	▲	6
Equatorial Guinea	▲	▲▲▲	▲	▲▲	7
Congo B.	▲▲▲	▲▲▲	▲▲	▲▲	10
Gabon	▲▲	▲▲▲	▲	▲▲	8
Chad	▲▲	▲▲	▲▲	▲	7
Cameroon	▲	▲▲	▲▲	▲	6
Mauritania	▲	▲	▲	▲▲	5
DRC	▲	▲	▲	▲	4
Ivory Coast	▲	▲▲	▲	▲	5
South Africa	▲	▲	▲	▲	4

▲▲▲ = Oil has major role in problems or negative results in the domain.
▲▲ = Oil has an intermediate role in the problems or mediocre results in the domain.
▲ = Lack of a major negative role of oil in the given domain.
NB: Where oil does not play a major negative role, other extraction activities (mineral resources) can still be implicated in the “resource curse.” Here we consider only the role of oil.

Source: Magrin, G., and Van Vliet, G. (2009, p.119)

Oil spills due to rupture and vandalism between 2006 and 2010



Source: own elaboration based on data from (NNPC, 2012, p. 70)

3.8.3. Appendix 3: Methodology

Case selection

The company RDS is especially suitable for this research due to its distinctive company characteristics, its operational setting and high-quality access to data. Shell is a front-running company in the area of CSR and has moved into the political sphere through its engagement in achieving public goals at the global and local level. Yet, the company is facing continuing allegations of corporate malpractice. Furthermore, the inherent social and environmental risks related to operations of the core business poses serious questions in relation to the sustainability of its very core operations and the legitimacy of its involvement in the support or supplement of public services related to its non-core operations. While, the company's experiences in the Ogoni and Brent Spar cases are often seen to have catalyzed international thinking about CSR, its current challenges with regard to its new political role and associated public responsibility strategies also make an important case in point for theory and praxis. The case of Shell is an extreme case which can “offer lessons for all organizations as they face an increasingly turbulent world” (Eisenhardt, 1989b, p. 573). Moreover, the company’s complex operating environment, Nigeria, is an insightful research site for examining the increasing interest in theory and praxis in the quasi-governmental role of private enterprises which moves away from the assumption in much of the CSR literature that the ‘rules of the game’ are set through effective government policy and regulation. This context also sheds light on the global interconnectedness of the oil industry and thus makes in interesting case in point with regard to the concept of enlarged responsibilities (Young, 2006). Here, responsibility is essentially shared among various actors contributing to the structures of social and environmental injustice in the Niger Delta.

Data sources

The author applied a case study methodology with the primary goal of describing Shell’s unique approach to CSR and associated challenges with regard to the company’s scope of responsibility and basis for legitimacy in a complex operating environment. The sources of evidence used in this case study come from primary and secondary sources. They are based on multiple data collection methods such as in-depth interviews and archival sources. The triangulation made possible by this process allowed for a stronger substantiation of constructs and propositions (Eisenhardt, 1989a, p. 538) and thus increases the reliability of data (Barratt et al., 2011). Moreover, since the overall methodology employed ensured that relevant stakeholders of corporate and civil society Nigeria were taken into account, the concerns from all parties became evident.

Documentary analysis

The author undertook extensive documentary analysis, searching annual reports, press releases, newspaper articles, secret documents (Wikileaks, leaked company reports) and other memoranda and documentary information. Press releases from the company are a device to communicate key messages; especially during a period of crisis where there is a need for managers to provide real-time information to key stakeholders. Together with the company’s reports, they formed the basis for the company’s voice for the narrative of this story. These documents were searched several times. Initially the author took field notes to construct the case story, which formed the foundation to interview questions. The author used subsequent searches to validate interviews as well as antecedent material from secondary sources.

Interviews

In 2011, the author undertook a two-week field visit to Abuja (Nigeria) and a one day visit to Shell's head office in Den Haag. The aim of the visits was to find out details on how civil society organizations perceive and confront Shell's actions, and on how the company reacts to this pressure and evaluates its role in this complex operating environment. Prior to the interviews an advance E-Mail was sent to selected respondents outlining the important issues of the study. Questions were semi-structured. Interviews lasted between 60 and 180 minutes.

In total, there were 21 in-depth interviews. 19 were tape-recorded and subsequently analyzed. The research visit to Nigeria formed an important basis for the data collection. During this time, 16 face-to-face interviews were conducted. From July to October 2013 the author conducted a second round of interviews via Skype with NGOs cooperating with Shell in the implementation of the company's approach to CSR (GMoU) (Initiative for Community Development, NIDPRODEV and the Environmental Health and Safety Network), a senior expert of the Africa Center for Corporate Responsibility and a senior specialist in the field of anti-corruption of Global Witness UK.

Respondents were mainly high profile individuals, including present and former directors of NGOs, renowned academics, corporate governance consultants, community relations officer, as well as senior officials of RDS and SPDC. Notably these are key stakeholders in the Nigerian extractive industry. Certain degrees of overall representation were achieved with participants drawn from different backgrounds and functions, so as to harness a mix of different perspectives (see Table 4 for an overview). Given their positions, this research benefited from their insider views on the research topic. While interviews with Shell's senior officials and CSR experts guided the investigation, the interviewees' statements were eventually not included in this manuscript due to reasons of confidentiality. All participants were promised confidentiality to encourage uninhibited responses. Therefore, only the name of the organization is mentioned in the case study.

The author has well-established contacts to civil society members in Nigeria and is in close contact with key SPDC and RDS employees in Abuja, Den Haag and London. This helped to alleviate some of the challenges relating to access to data and respondents. The snow-balling technique, as well as third party informants such as academic and civil society colleagues also proved very helpful to gain access to these high-caliber respondent(s) until data saturation was reached.

Table 4 Overview of interviews (Study 2)

Interview Group	No. of interviews	Organization
Civil Society	7	• Publish What You Pay (PWYP), Nigeria • Civil Society Legislative Advocacy Centre (CISLAC), Abuja/Nigeria • Environmental Rights Action (ERA), Nigeria • African Network for Environment and Economic Justice African Center for Leadership, Strategy and Development (LSD), Abuja/Nigeria • Social Action, Ogoni Solidarity Forum (OSF) • Bayelsa NGO Forum (BANGOF), Bayelsa/Nigeria • Global Witness UK[2]
Academic	2	• West Africa Civil Society Forum, Abuja/Nigeria • Integrated Ecosystem Management Project - Nigeria-Niger Joint Commission for Cooperation
Civil Society and Academic	4	• Africa Center for Corporate Responsibility (ACCR), Warri/Nigeria[2] • Heinrich Böll Foundation (HBS), Nigeria • Revenue Watch Institute (RWI), Nigeria • Centre for Democracy and Development (Abuja, Lagos, Manchester)
NGO implementing Shell's current approach to CSR (GMoU)	4	• Initiative for Community Development[1/2] • NIDPRODEV[2] • Environmental Health and Safety Network[2]
Corporate	4	• SPDC, Abuja • Shell International, Den Haag

Data analysis

In a first step, an overall chronology of events dating from Shell's formalization of its CSR program in the mid 1990s was developed. This chronology visualized "who did what, when" and thus gave a first overall picture of the stakeholders involved and the evolution of Shell's CSR agenda (particularly the drivers and trigger events). In a second step, the author used the computer program ATLAS to explore the data for evidence related to the effectiveness of Shell's CSR program, the political role of the company and associated challenges. Here, categories that emerged in extant theory served as a deductive framework. Scherer and Palazzo's (2011) literature review depicts five dimensions, a political approach to CSR has to deal with: 1) From national to global governance; (2) From hard law to soft law; (3) From liability to social connectedness; (4) From cognitive and pragmatic legitimacy to moral legitimacy; and (5) From liberal democracy to deliberative democracy (Scherer & Palazzo, 2011). The authors' politicized concept of CSR is based on moral legitimacy, which is "socially and argumentatively constructed by means of considering reasons to justify certain actions, practices, or institutions and is thus present in discourses between the corporation and its relevant publics" (Scherer and Palazzo, 2011, p. 916). As a new way for companies of keeping their licenses to operate they have to take into account criteria for input and output legitimacy (Mena & Palazzo, 2012, p. 539). For the scope of responsibility, political CSR takes a prospective perspective based on the actor's structural connectedness to an issue and depending on the actor's power, interest, privilege and ability for collective action (Young, 2006).

Using a method similar to that of other qualitative studies (e.g. Jarzabkowski, 2008), the author then checked the reliability of the coding framework using a coanalyst. A doctoral student was trained in the coding framework (Miles & Huberman, 1994) and rechecked those categorizations. Interrater agreement was 98 percent, and we resolved remaining discrepancies via discussion and reaching consensus. The coding was then applied to the data again to revise, refine and collapse categories to the point that maximizes mutual exclusivity.

3.8.4. Appendix 4: Teaching Guidance

Suggested questions and brief answers

1. Do a stakeholder analysis. The key question for students is to think about how Shell should react to increasing allegations over the company's practices. The company is operating in a very complex environment with many actors having a stake in the status quo. Which stakeholders should Shell address to keep its license to operate and why? In which way are the different stakeholders related to the problems in the Niger Delta? What is their stake?

I recommend using the stakeholder analysis tool to acquire in a first step a reasonable overview of the interests and responsibilities of all parties involved. In a second step students could be asked to assess each stakeholder's importance in terms of legitimacy, power and urgency. While Shell identifies as its key business stakeholders employees, clients/customers, business partners, and society at large, I recommend including more actors that have a mediated connection to the social and environmental issues in the Niger Delta. Thinking about which actors affect or are affected by the company's operations helps students to grasp the complexity of making decisions when a company is faced with a dilemma between its economic and political role. The table below provides some suggestions for guiding the discussion:

Stakeholder	Interest
Shell/SPDC Management	• Keeping their partners happy • Creating economic value and realizing ROI for shareholders • Should have an interest in satisfying customers • Brand reputation
Nigerian government	As JV Partner & mayor shareholder: profit maximization
Home government	• Access to justice: provide human rights victims an opportunity to seek redress and to hold corporations which operate in the country to account for violations committed in other countries e.g. US court case (ongoing): Kiobel v. Royal Dutch Petroleum case: The company is suit under the Alien Tort Claims Act for alleged complicity in the torture and killing of environmentalists in Nigeria • Energy security: global governance of extractive resources has largely been shaped by the energy-security agenda of industrialized countries and are geared toward the specific needs of consumer or producer countries (rather than human rights issues)
Shareholder	Execution of profitable business deals to increase shareholder value
Host communities	• Sustainable livelihoods • Environmental justice • Access to energy • Keep Shell since social performance standards are unlikely to be met by local oil or Asian oil companies
Civil society (e.g. Friends of the Earth, Amnesty International)	• Be the public voice of minority groups or victims of human rights violations • Secure human rights & environmental justice
Militants	Seek a share of the oil wealth: attack oil infrastructure, kidnap staff or engage in oil theft, commonly referred to as "bunkering
Employees	• Job security & continued employment: interest in the company performing well • Physical security: protection from kidnapping, attacks • Company's reputation: interest to work for a company complying with corporate, national and international human rights standards
International organizations (UNEP)	• Monitor and report compliance with international standards • Help nations work together & be a centre for harmonizing the actions of nations to achieve their goals: some issues such as global warming, global energy security and powerful geo-ethnic criminal networks from the Niger Delta involved in petroleum smuggling, illicit drugs trafficking, commercial fraud and identity theft cut across the territorial boundaries of states and pose a problem of global concern
International media	Having a story

Competitors	• Fierce competition among local & international oil companies over revenues: keen to win business • Local Nigerian & Asian Companies: Little interest in CSR
Consumer (international	• Access to cheap energy & derivate products from oil • Social and environmental justice (consumer power?)

2. Shell's politicized role: Going beyond pure economic responsibilities? What role does Shell play? Does Shell have even assumed a state-like role in the Nigeria?

These questions take note of the growing literature on the political role of companies which refers to activities aimed at filling in for government absence (Valente & Crane, 2010, p. 55) and is closely related to concepts such as 'political CSR' (Palazzo & Scherer, 2006; Scherer & Palazzo, 2011; Scherer & Palazzo, 2007; Scherer & Palazzo, 2008) or 'extended corporate citizenship' (Matten & Crane, 2005). Here, MNCs are considered quasi-public actors. These scholars acknowledge that many MNCs have started to engage in activities that have traditionally been regarded as actual government activities (Kobrin, 2008; Margolis & Walsh, 2003; Matten & Crane, 2005) at both, the global level where neither nation-states nor international institutions alone are able to regulate the global economy or provide global public goods (Kaul et al., 2003) or in countries where the state system fails (Matten & Crane, 2005; Valente & Crane, 2009; Valente & Crane, 2010). This engagement in public responsibilities has led to a blurring of the private and public sphere. The enlarged conceptualization of CSR stands in contrast with mainstream theorizing which is mainly confined to the economic theory of the firm (Garriga & Melé, 2004; Margolis & Walsh, 2003; Scherer & Palazzo, 2007) and broadly agrees on business occasionally 'doing' political activities. Thus, the political nature of the firm - in the sense of actually 'being' a political actor in itself - is highly contested. This economic view of CSR is based on four premises:

(1) The nation-state has the containment power to regulate business activities, to provide public goods, and to compensate or avoid externalities (Sundaram & Inkpen, 2004, pp. 354-355);

(2) Corporations have to focus on profit maximization and managers on their fiduciary responsibilities to shareholders (Friedman, 1970; Sundaram & Inkpen, 2004);

(3) Societal responsibilities can only be assumed if they are instrumental for the long-term value of the firm (Friedman, 1970; Jensen, 2002; McWilliams & Siegel, 2001; Sundaram & Inkpen, 2004); and

(4) A strict separation of private and public domains (Friedman, 1962; Jensen, 2002).

The aim of this task is to understand how the company is positioned not only as an economic but also as a political actor. Also, students should become aware that the driving force of political CSR is the global expansion of corporations and the consequent erosion of (primarily national) institutions and processes of governance. Eventually, students will be able to appreciate that Shell's engagement in global governance, self-regulation policies and public responsibilities in Nigeria has offset the strict division of labor between private business and nation state governance on which the dominant economic paradigm and many conceptions of CSR are built. For the Shell, this implies a conflict between the company's economic objectives and responsibilities (i.e. making profit for its shareholders) and its political role and responsibilities (i.e. providing social services to poor host communities). This exercise can lead to an interesting discussion, in which many students involved in the management of organizations might disagree with the politicized role of corporations.

3. What is the scope of Shell's responsibility for the social and environmental conditions in the Niger Delta?

The teaching case focuses on the moment when Shell's scope of responsibility is put in the spotlight for the company's legal liabilities for oil pollution. A dominating form of attributing responsibility derives from the legal context in which fault for harm is established based on causality, retrospective argumentation, absolution of others, and static background conditions. Yet today, attributing direct guilt for globally operating MNCs is more difficult. Particularly in the globalized political economy of oil, problems cannot be reduced to a specific actor(s), cause(s) or geographical location(s). Thus, the scope of responsibilities is not clear-cut. Also, Shell has assumed public responsibilities that go beyond traditional CSR programs and faces unforeseen challenges to navigate a new set of political responsibilities. Thus, the questions are: What is the scope of Shell's responsibilities in such a complex operating environment? Does Shell have a political responsibility? If so, what does this entail? Is it making things too easy when blaming and shaming Shell alone in a context of a local and global public responsibility void and the global interconnectedness of the oil industry?

Young (2006) took note of these challenges and presented an alternative understanding of responsibility – a political responsibility – based on structural interconnectedness. 'Political' connotes according to Young to activities broader than a government's, namely those "in which people organize collectively to regulate or transform some aspect of their shared social conditions, along with the communicative activities in which they try to persuade one another to join such collective action or decide what direction they wish to take it" (Young, 2004, p. 377). It also relates to responsibilities beyond the corporations direct social and environmental externalities (Young, 2006). Thus, "all agents who contribute by their actions to the structural processes that produce injustice have responsibilities to work and remedy these injustices" (Young, 2006, pp. 102-103). To analyze what this enlarged or political responsibility might entail, students could discuss the following based on Young's (Young, 2006, p. 116) social connectedness model:

1) Not isolating perpetrators

The case study makes clear that social and environmental justice in the Niger Delta results from the participation of millions of people. Shell is operating in an extremely complex environment characterized by organized crime and violence around the issue of oil bunkering and a public responsibility deficit. Thus, isolating Shell for its environmental damage does not absolve those sabotaging pipelines, or an irresponsive government not establishing the rule of law or delivering socio-economic services amongst others.

2) Judging background conditions

Accepted norms and institutional practices that constitute the background conditions for social and environmental injustice in the Niger Delta are morally not acceptable. Rather than considering the process that brought the harm as a break-away from normal and that punishment or compensation will restore normality, students should question the background conditions that set normality. For example, Shell has an economic responsibility to its shareholders to be a profitable company and stay within the rules of the game. Thus, the managers devote more attention to keeping operational costs low and increase shareholder value than to minimizing the negative externalities of the company's core operations (oil spills due to poor maintenance of the pipelines, not paying compensation for oils spills caused by sabotage as required by Nigerian law). Shell is also expected to provide employment to local host communities and protect its pipelines from sabotage. Yet, the company's spending on security to government forces and community groups is alleged to fuel human rights abuses.

3) Forward-looking

Shell's liability for oil pollution was established in two cases (UK and The Hague court ruling in 2011 and 2012 respectively). While retrospective condemnation is important to prevent impunity, forward-looking action must be undertaken to stop ongoing harm. Here students can identify weak points in the institutional system that allow or encourage harm such as corruption. Even if Shell is punished or would even be forced to pull out, but the system of incentives and organizational priorities is not reformed, then it is likely that the oil company that replaces Shell simply adopts the same (mal)practices.

4) Shared responsibility

Shell's operations extend beyond nation-state boundaries and include globally dispersed persons as the stakeholder analysis revealed. All those actors have a mediated connection to the structural injustices in the Niger Delta and are thus responsible in a partial way. For example, consumers demanding cheap energy access reinforce the status quo as the company is under pressure to reduce operational costs. Also, governance structures imply a shared responsibility. While from a legal perspective Shell Headquarters could not be held liable for the failures of SPDC (they are considered legally separate entities), SPDC is closely connected to its headquarters in The Hague within the overall corporate governance structure. For example, the NGO Friends of the Earth Netherlands (Milieudefensie) submitted in May 2013 an appeal to The Hague court, as it is clear for them that Shell's headquarter shares responsibility for the massive environmental damage in Nigeria. Also, the Nigerian government holds a controlling stake and power over SPDC's operations being its major shareholder (the government-owned NNPC holds 55% of SPDC).

5) Collective action

Since many actors contribute by their actions in particular institutional contexts to the processes that produce unjust outcomes, these structural processes can be altered only if many actors in diverse social positions work together to intervene in these processes. Students can appreciate that Shell has already engaged in partnerships at different levels – in local CSR initiatives such as the GMoU and in global governance initiatives. In 1998, Shell shifted from a unilateral to a partnering approach to provide socio-economic services to host communities in a more effective way. Yet, the case study reveals that collective action needs to be improved substantially.

4. Does Shell have a higher degree responsibility than other actors due to the company's privileged position, power, interest, and collective ability? Should Shell turn into a human welfare organization or adopt a quasi-governmental role? Or should the company create only value for its shareholders?

Students should discuss the degree of Shell's responsibility using Young's (2006) parameters for reasoning: power, interest, privilege, and collective ability. Given Shell's position within the structural processes, the scope of Shell's responsibilities can range from a strong (direct) responsibility (e.g. the case of oil spills) to a shared political responsibility based on structural connectedness. The latter implicates a turn from the economic, utility-driven, and output-oriented view on CSR to a political, communication-driven, and input oriented concept of organizational responsibility. Thus, Shell could even be held responsible for things they themselves have not done. Since the company faced already in the 1990's worldwide condemnation for shirking its (political) responsibilities to speak out against the execution of the 'Ogoni Nine', Shell should re-evaluate its current scope of responsibilities with special care. Yet, students should not expect corporations to turn into human welfare organizations or replace a government agency. They should do what they are best at: providing life- conducive goods and services and creating value for a multiplicity of stakeholders. Based on the stakeholder analysis, students can also infer responsibilities of other actors, which are socially connected to the structural injustices occurring in the Niger Delta.

5. What are the conditions for corporate legitimacy? The key question of the case is how should Shell adapt its CSR agenda to these increasing demands to take on public responsibilities and allegations of corporate malpractice.

Students will probably propose two opposing options: 1) leave the country or go offshore or 2) to continue business as usual given the company's much-praised CSR agenda. Yet, from a financial point of view both options are not viable since Nigeria is a cornerstone of Shell's business and doing nothing would affect the company's reputation and by extension its profits. Also, from an ethical point of view, Shell has certain (political) responsibilities to stay and proactively engage in CSR, which can be discussed depending on the ethical theories and concepts covered in the course.

While Shell has already engaged in activities that are regarded as traditional government responsibilities to provide public services to poor host communities, the company is facing continuous allegations of malpractice. This growing positive and negative impact challenges the company's legitimacy and consequently its license to operate for two reasons. First, the company (involuntarily) assumes a political role with associated public responsibilities that go beyond traditional philanthropy or CSR programs. Second, the company has no democratic mandate for its engagement, and there is no regulatory influence over powerful corporations such as Shell at the local and the global level. The question is: What should Shell do, when, and how to keep its license to operate? How could Shell employ sustainability-related activities and practices to meet its public legitimacy requirements?

Depending on the theories discussed in the course, students can evaluate Shell's options using Mena and Palazzo's (2012) conceptualization of input and output legitimacy as a basis for a legitimate transfer of regulatory power from traditional democratic nation-state processes to private regulatory schemes. Input legitimacy is determined by 1) stakeholder inclusion; 2) procedural fairness; 3) consensual orientation, and 4) transparency (Mena & Palazzo, 2012, p. 538). Output legitimacy refers to the capacity of regulatory regimes to effectively take a regulatory role by ensuring 1) coverage; 2) efficacy, and 3) rule enforcement and monitoring (Mena & Palazzo, 2012, p. 539). The case study makes clear that Shell's current approach to CSR in Nigeria (GMoU) suffers from both input and output legitimacy. In the course of the discussion, students should develop a concern about the precarious legitimacy of globally active corporations in general and in developing countries with a public responsibility deficit in particular. Also, students can go a step further and discuss the basis of legitimacy of companies belonging to the so-called controversial industry sector. Students should ask themselves if it is possible for an organization to be sustainable when its core operations inherently entail persistent environmental and social issues? How can these organizations employ their CSR-related practices and policies better to meet their public legitimacy requirements?

When addressing these questions students should realize that there remains considerable controversy as to the answers. Business can provide an important contribution to public sector resource deficits and inefficiencies. Yet, companies can face a whole host of problems if their strategies backfire and unsustainable outcomes can be (are) a reality where sustainability concepts are co-opted and formalized in a CSR agenda, but not implemented in praxis.

Teaching the case

Courses

The interdisciplinary character, innovative stance and the global context of the case is especially interesting for students studying subjects such as the global context of management, the role of business in society, business ethics, business challenges in complex environments such as developing countries. It can be used in undergraduate classes, though due to its complexity, it is especially recommended for graduate, Master's and MBA students.

Contribution of the case

The case is a vehicle for discussion and insight on the crucial role of learning and adaption over time for two reasons. In the first place, Shell's experiences demonstrate that many companies still hold an apolitical self-perception, but engage at the same time in activities that have been regarded as actual government activities. Yet, this strategic adoption of public responsibilities to maintain their social license to operate implies unforeseen challenges with regard to the company's legitimacy and the scope of responsibility. In a complex operating environment such as Nigeria it requires continuous efforts from part of the company to identify key stakeholder's interests and to go beyond current one-size-fits-all best practices. Even though Shell is considered a forerunner in CSR, the case points to problems of sustainability with regard to the application of 'double standards' and the sometimes bad consequences of much-praised practices. Thus this provides input for students that allow them to think through the scope of feasible and sustainable action if they happen to find themselves confronted with such practices. In this sense, this case thus also challenges in a way the 'bright side' bias of the far more numerous 'best-practice' cases in the area of CSR and sustainability.

Case objectives

- Analyze and understand the economic and political role of MNCs like Shell in a context of a public responsibility void at the local and global level
- Become aware of the challenges for the scope of corporate responsibilities and the basis for corporate legitimacy that a politicized role entails
- Familiarize students with Young's social connectedness model
- Find out and reason on the scope of corporate responsibilities and legitimacy beyond a narrow liability model

Teaching plan / Timing

Depending on how comprehensively the instructor wishes to discuss the case, and how extensive and lengthy is the discussion or role-play, this case can run from a single 90-minute session to two such sessions. To discuss the main questions, the instructor can divide the discussion into two groups so that one group can focus on one dimension - corporate responsibility and legitimacy. As an alternative the instructor can set up an interchange between different case actors in form of a role play to foster greater empathy with the case protagonists and increase class attentiveness. Depending on the class size, roles can be assigned to individual or groups of students during class or prior to the session. We recommend splitting the class into different roles such as the company Shell, civil society, the Nigerian government etc. discussing all dimensions with regard to their respective role. In a later exercise these different perspectives can be contrasted with each other. Apart from the information in the case study, the instructor should provide stimulating inputs and questions (see below) for each group discussion and students could search for updated facts and figures in real time.

Chapter 4: Study 3 – A model of organizational response strategies to political CSR demands: The case of Royal Dutch Shell

Unpublished research study. Presented at the Academy of Management (AOM), Annual Conference, Vancouver, August 2015. Symposium Presentation

4.1. Abstract

Multinational corporations are facing increasing pressure for addressing public goods problems and regulation, even as economic theory instructs managers to focus on maximizing their shareholders' wealth. Organizational scholars and corporate managers find themselves in the clutches of an antinomy, which revive still unresolved questions: How should companies respond? How can affected stakeholders ensure that MNCs involvement in public good issues is done in the best interest of the public? While prior work contributed to a sophisticated normative account of the adoption of political responsibilities and role (Scherer & Palazzo, 2011; Scherer & Palazzo, 2007), and highlighted deviations from this normative benchmark (Banerjee, 2007; Barley, 2007; Bromley & Powell, 2012; Frynas, 2009; Nyberg et al., 2013) it remains theoretically underdeveloped and empirically under-explored to what extent companies can and do conform to external institutional pressure to achieve societal outcomes. Notably lacking is a systematic response model paying explicit attention to organizational self-interest, active agency and underlying power relations (Lawrence & Suddaby, 2006; Oliver, 1991) with a focus on the impact of the company's response on affected stakeholders (Banerjee, 2007; Margolis & Walsh, 2003). This research embraces the company's dilemma between economic and broader social objectives and the lack of attention to societal outcomes as a starting point for a systematic in-depth empirical inquiry of the oil mayor Royal Dutch Shell. The emergent model reveals a rather more complex and dynamic picture of MNCs' responses to political CSR demands than that presented in the extant literature and sheds new light on the gap between political CSR activities and public ends. Notably, it makes two important contributions: (1) it identifies previously unidentified responses to normative political CSR demands – namely compromise, internal buffering, defiance and manipulation; and (2) it sheds light on the interests and power relations behind the company's response strategy.

4.2. Introduction

"The social responsibility of business is to increase its profit" (Friedman, 1970)

"Business firms operate as social entrepreneurs and directly serve the public interest by their resources (money, assets, know-how, etc.) and their creativity" (Scherer, Palazzo, & Matten, 2009)

Today, particularly multinational corporations (MNCs) are facing increasing pressure for addressing public goods problems and regulation, even as economic theory instructs managers to focus on maximizing their shareholders' wealth. Organizational scholars and corporate managers find themselves in the clutches of an antinomy, which revive still unresolved questions posed by Merton five decades ago: How should companies respond? Does the successful business try first to profit or to serve? (Merton, 1976, p. 88).

In recent years, a lively scholarly debate has evolved about the political roles and responsibilities of corporations. The debate has spanned across a range of disciplines including political science (e.g. Cutler et al., 1999), legal studies (e.g. Clapham, 2006), philosophy (e.g. Young, 2006), management studies (e.g. Boddewyn & Brewer, 1994), and sociology (e.g. Burris, 2001). Within the business ethics and business and society literatures, 'political CSR' (Scherer & Palazzo, 2011) has become the new normative societal frame of reference for theorizing MNCs' engagement in global regulation and public goods problems within their corporate social responsibility (CSR) policies. Based upon conceptual ideas of the Habermasian concept of deliberative democracy (Habermas, 1996b; Habermas, 1998a; Habermas, 2001), and (normative) stakeholder theory (Donaldson & Preston, 1995, p. 71), Scherer and Palazzo define political CSR as an "extended model of governance with business firms contributing to global regulation and providing public goods" (Scherer & Palazzo, 2011, p. 901). The authors claim that MNCs should, and already do, engage in traditional government activities of political and social regulation even in areas not directly related to their business (Scherer & Palazzo, 2007) and operate as new providers of citizenship rights and public goods (Matten & Crane, 2005; Scherer & Palazzo, 2011; Scherer et al., 2009). In other words, business firms' interaction with the political sphere should be in the name of the public interest (Scherer et al., 2009, p. 577) which blurs the traditional boundaries between the political and economic spheres of society (Scherer & Palazzo, 2011, p. 905). The authors claim that this new political conception of CSR aims at producing a paradigm shift in CSR studies (Scherer & Palazzo, 2011) as it challenges the traditional economic conception of the business firm and the related instrumental conception of CSR (e.g. Friedman, 1970; Jensen, 2002; McWilliams & Siegel, 2001; Porter & Kramer, 2011; Sundaram & Inkpen, 2004). In line with institutional theory, political CSR is concerned with corporate legitimacy in a 'post-national constellation' (Habermas, 2001) and formally prescribes adopter behavior and specifies intended goals.

The new political role of MNC is inherently paradoxical and highly contested for its unclear relationship to outcomes by both the public and corporations. The skills, resources, and expectations of stakeholders related to profitability goals are often at odds with those for social and environmental goals. Interestingly, while institutional scholars highlighted the paradox of compliant adopters not achieving the desired public ends (Bromley & Powell, 2012) and critical scholars raised concerns about corporations pursuing their narrow business interests and undermining the public good (Banerjee, 2008; Barley, 2007; Fooks, Gilmore, Collin, Holden, & Lee, 2012; Levy, 2008; Mamudu, Hammond, & Glantz, 2008; Nyberg et al., 2013), existing research makes no systematic empirical enquiry about the extent and boundary conditions of companies' ability and will to conform to political CSR demands to achieve societal outcomes. Notably lacking is a framework paying explicit attention to organizational self-interest, active agency and underlying power relations (Lawrence & Suddaby, 2006; Oliver, 1991) with a focus on the impact of the company's response on affected stakeholders (Banerjee, 2007; Margolis & Walsh, 2003) which have been recognized in earlier studies. The goal of this paper is to address this gap with the following research questions: How and under which conditions do companies respond to political CSR demands?

In this paper I embrace the company's dilemma between economic and broader social objectives and the lack of attention to societal outcomes as a starting point for a systematic in-depth empirical inquiry of the oil mayor Royal Dutch Shell in Nigeria. The in-depth analysis of Shell is salient for developing new theoretical insights for its distinct company characteristics, its complex operating environment and the author's privileged access to affected stakeholders. Shell was one of the first MNCs that had been confronted with political CSR demands in the 1990s (Wheeler, Fabig, & Boele, 2002), which changed Shell's self-understanding from being an apolitical to a politicized actor (Hollender & Fenichell, 2004 in Scherer et al., 2006, p. 518) and started to implement normative elements of political CSR into core governance structures and processes (Jacoba Schouten, 2010). However, while being praised by academics and practitioners alike as a leader for its proactive management of environmental, social and governance issues (AccountAbility, 2005; Channing Corporate Citizenship Award, 2011; Corporate Knights, 2010; Crane & Matten, 2004; Fortune, 2008; Innovest, 2006; Jacoba Schouten, 2010; Lawrence, 2002; Management & Excellence, 2006 ; Scherer et al., 2006; Schouten & Remm, 2006; VBDO, 2006; World Business Council for Sustainable Development, 2015), Shell faces at the same time continues allegations of corporate malpractice, which raise questions with regard to the company’s underlying motivation and (power) position to address public goods issues. Taking into account that political CSR involves global and local issue arenas such as transparency and community development respectively, this study focuses on Shell’s headquarters and its Nigerian subsidiary, the Shell Development Company (SPDC) to shed light on this paradox. Nigeria is a case in point as the country has become synonymous with the paradox of want in the midst of plenty. After decades of CSR investment, even more people lived in poverty than before oil was found, and the rural and oil producing communities were the most affected (Ikein & Briggs-Anigboh, 1998). To answer the research questions I examine Shell’s response to political CSR demands and its impact on societal ends. I then analyze the boundary conditions, which determine the company’s response to institutional pressure and develop an empirically grounded response model. This forms the basis of the theoretical contribution. I conclude by discussing the contributions and limitations of the proposed model.

The emergent theoretical model reveals a rather more complex and dynamic picture of MNCs’ responses to political CSR demands than that presented in the literature above and sheds new light on the gap between political CSR activities and public ends. Notably, it makes two important contributions to the literature: (1) it identifies previously unidentified responses to normative political CSR demands – namely compromise, internal buffering, defiance and manipulation; and (2) it sheds light on the interests and power relations behind the company's response strategy.

4.3. Theoretical background

Recently, 'political CSR' (Scherer & Palazzo, 2011; Scherer & Palazzo, 2007) has become the normative benchmark for theorizing the political role and responsibilities of MNCs. This extended concept of governance emphasizes the 'priority of democracy to philosophy' (Rorty, 1991) and builds on the Habermasian concept of deliberative democracy (Habermas, 1996a; Habermas, 1998b; Habermas, 2001) and on (normative) stakeholder theory to identify "moral or philosophical guidelines for the operation and management of corporations" (Donaldson & Preston, 1995, p. 71). This normative societal frame of reference extents a body of work that positively describes and explains, the political duties and activities of MNCs as 'extended corporate citizenship' (Matten & Crane, 2005), and 'corporations as government' (Crane, Matten, & Moon, 2008). Scherer and Palazzo define political CSR as an "extended model of governance with business firms contributing to global regulation and providing public goods" (Scherer & Palazzo, 2011, p. 901). The authors claim that MNCs should, and already do, engage in traditional government activities of political and social regulation even in areas not directly related to their business (Scherer & Palazzo, 2007) and operate as new providers of citizenship rights and public goods (Matten & Crane, 2005; Scherer & Palazzo, 2011; Scherer et al., 2009). In other words, business firms' interaction with the political sphere should be in the name of the public interest (Scherer et al., 2009, p. 577). The authors assert that this new political conception of CSR aims at producing a paradigm shift in CSR studies (Scherer & Palazzo, 2011) as it challenges the traditional economic conception of the business firm and the related instrumental conception of CSR (e.g. Friedman, 1970; Jensen, 2002; McWilliams & Siegel, 2001; Porter & Kramer, 2011; Sundaram & Inkpen, 2004).

In line with institutional theory, political CSR is concerned with corporate legitimacy and formally prescribes adopter behavior and specifies intended goals. A political[3] role of

[3] The political aspect is here that companies get involved in the political process associated with solving societal problems (Santoro, 2010)

MNC is seen by Scherer and Palazzo (2011) to be legitimate[4] within a new societal frame of reference of five interrelated dimensions: global governance initiatives, self-regulation, social connectedness logic, moral legitimacy, and deliberative democracy. In more detail, Mena and Palazzo (2012) have identified input (inclusion, procedural fairness, consensual orientation, and transparency) and output (rule coverage, efficacy, and enforcement) criteria to evaluate the legitimacy of such (political) engagement (Mena & Palazzo, 2012). With this normative benchmark, the "legitimacy of corporate activities can be normatively accessed when no universal criteria of ethical behavior are available in a post-modern and post-national world" (Scherer & Palazzo, 2011, p. 906). Political CSR demands have become institutionalized in the emerging CSR infrastructure (for an overview see Waddock, 2008) and are considered here as an institution as they constitute the rules of the game serving to define social practices, assign roles, and guide interactions (Young, 1994).

Political CSR scholars also assume that corporations become subjects of new forms of democratic processes of control by engaging in the processes of self-regulation and multi-stakeholder initiatives (MSI) (Scherer & Palazzo, 2011). The authors claim that these normative means encourage processes of 'communication' and 'deliberation' with multiple stakeholders contributing to organizational learning and democratization rather than mere bargaining along the lines of participants' pre-defined institutional interests and power differences (Dryzek, 2005; Risse, 2004; Scherer & Palazzo, 2011; Scherer & Palazzo, 2007). In this sense, multi-stakeholder deliberation is understood as a 'school of democracy' where power differences are neutralized by the democratic design of the arena (Scherer & Palazzo, 2011) following input and output legitimacy criteria (Mena & Palazzo, 2012). In other words, political CSR's normative yardstick is a power-free discourse (Scherer & Palazzo, 2011) based on the 'forceless force of the better argument' (Habermas, 1990, p. 185; Scherer & Palazzo, 2011).

Altogether, the concept of political CSR advances a 'deliberative turn' in the political engagement of MNCs in the delivery of public goods with the following features. Firstly, it is weaker than in the traditional understanding, since it refers to processes of self-

[4] According to Dryzek (2010) for outcomes to be legitimate, they must be socially accepted, morally right, freely granted, competent, and legal (Dryzek, 2010)

regulation and production of transnational 'soft law' instead of national hard law and because it refers to the discourses of a globalizing civil society as the source of legitimacy instead of a nationally defined community. Secondly, it is broader because it includes non-state actors as objects of legitimacy claims and expands the understanding of responsibility beyond the common liability concept of responsibility and a shift of corporate attention and money to societal challenges beyond immediate stakeholder pressure (Scherer et al., 2007, p. 1115). Thirdly, it is an input related and discursive concept of legitimacy in that it involves organizations in processes of active justification vis-à-vis society rather than simply responding to the demands of powerful groups (Palazzo & Scherer, 2006, p. 71).

However, the political role and engagement of MNCs in public responsibilities are highly contested for its unclear relationship to outcomes by both the public and corporations. For companies, there is an unclear relationship to financial performance which stands in direct contrast with is economic mandate to focus on maximizing the company's shareholders wealth (Margolis & Walsh, 2003; Orlitzky, 2011).[5] Furthermore, the normative pressure to provide goods and services not related to the core business competencies might even present inherent business risks since an all-inclusive social responsibility of a whole community might overburden companies (Mäkinen & Kasanen, 2014, p. 3) and they risk to lose its license to operate when not delivering these political responsibilities effectively. For the public, it is not assured that the company makes public welfare choices in the best interest of the public and effectively addresses social and environmental injustices. The company has no democratic mandate for its engagement in public responsibility strategies and cannot be held accountable by a civic polity.

Recently, institutional scholars have taken note of these significant changes in organizations' external environments and contributed to a development of a richer conception of the gap between practices and outcomes as it relates to the

[5] The 'cost' of CSR is not clear. While many scholars have found little evidence that CSR adoption brings tangible economic benefits (Margolis & Walsh, 2003), a recent meta-analysis suggests a positive relationship between corporate social performance (CSP) and corporate financial performance (CFP) (Orlitzky, 2011).

contemporary world. Bromley and Powell (2012) powerfully argue that companies actually increasingly acquiesce to institutional demands due to the rationalization of the institutional environment (Boli, 2006; Zucker, 1987; Frank & Meyer, 2002 in Bromley & Powell, 2012, p. 485), but may not achieve the intended results (Bromley & Powell, 2012). In this so-called means-end decoupling “organizations pursue many activities despite the lack of a clear connection to outcomes (for the community and the company) and despite a clear integration with core goals” (Bromley & Powell, 2012, p. 506). An uncertain means-end relationship is particularly prevalent in the realm of public or social good production as companies “adopt new ends that are not directly related to core goals“ (Bromley & Powell, 2012, p. 497), and “face the challenge of developing meaningful metrics of accomplishment and clearly establishing the causal efficacy of particular programs or activities” (Bromley & Powell, 2012, p. 500). While this new form of decoupling sheds light on the paradox of compliant adopters not achieving the desired public ends, it does not account for organizational self-interest and active agency with a particular focus on “instances when decoupling will not be the response to institutional pressures” (Bromley & Powell, 2012, p. 509). In other words, scholars in this line of thought assume passive compliance with institutional norms due to a governance void (Scherer & Palazzo, 2011; Scherer & Palazzo, 2007; Scherer et al., 2006), increasingly rationalizing pressures to increase transparency and accountability (Bromley & Powell, 2012) and an increased homogenization of CSR across borders through cognitive, normative and regulative pressures (Matten & Moon, 2008; Waddock, 2008). The emerging institutional CSR infrastructure is even predicted to facilitate the adaption of hard law (Rivoli & Waddock, 2011). Notably, the authors assume that desired outcomes are not achieved due to environmental opacity (Bromley & Powell, 2012) such as causal complexity, practice multiplicity, and behavioral invisibility (Wijen, 2014). As a result, adopters face attention and knowledge problems, which thwart the ability to comply through experimental learning, imitating the ‘right’ practices (Wijen, 2014) or to measure the effects of actions (Bromley & Powell, 2012). Hence, any deviation of corporate policies or practices from institutional demands is considered unintended and a transitory phenomenon (Boxenbaum & Jonsson, 2008; Bromley & Powell, 2012; Haack et al., 2012) as it does not provide general legitimacy benefits (Bromley & Powell, 2012, p. 516) and thus may not be a viable long-term option for adopters of CSR-related practices (Haack et al., 2012).

Organizational scholars have long recognized the role of organizational self-interest and active agency in organizational responses to institutional demands (Lawrence & Suddaby, 2006, p. 215; Oliver, 1991) and argue that "not only that deviations from the normative prescripts occur in successful organizations, but that they may even be a major promoter of success" (Brunsson, 1993). For instance, integrating institutional theory with resource dependence arguments, Oliver (1991) demonstrates how organizational responses to institutional pressures may vary from passive conformity to active resistance, depending on the context and nature of the pressures themselves. Lawrence and Suddaby (2006) conception of 'institutional work' extends these insights by re-introducing strategy and power into neo-institutional explanations (Eisenstadt, 1980; DiMaggio 1988 in Lawrence & Suddaby, 2006, p. 217) among others. For the authors, institutional work involves "the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions" (Lawrence & Suddaby, 2006, p. 215). Although these authors point to alternative response strategies, their work lacks predictive power when discussing responses in a particular empirical setting and they remain silent about "the conditions under which specific responses are mobilized" (Pache & Santos, 2010, p. 457). In other words, they merely suggest "that organizations find it difficult to acquiesce to what is expected from them and, thus, are highly likely to resort to more resistant strategies, such as compromise, avoidance, defiance, or manipulation" (Pache & Santos, 2010, p. 456).

The phenomenon of MNC's self-interested and active agency and its negative impact on the public good is also increasingly attracting attention from critical scholars (Banerjee, 2008; Barley, 2007). To cast new light on CSR debates, critical management scholars have drawn on Gramscian theory to consider the nature of power and ideology in structures of international governance. They point to the dynamic process of contestation and accommodation (Levy, 2008) and identify corporate practices of campaigning and exemplifying to incorporate citizenship activities in order to benefit corporate agendas (Nyberg et al., 2013). Likewise, other studies suggest that companies adopt symbolically to CSR standards to preempt strong and legally enforceable regulation (e.g. tobacco industry Fooks et al., 2012; Mamudu et al., 2008). Even exemplary cases of political CSR are criticized for co-opting and capturing the more radical impulses of various environmental groups (e.g. Forest Stewardship Council, Edward & Willmott, 2011), for undermining peoples' political autonomy (see historical cases of company towns, Miller, 2007; Montgomery, 1998), and for environmental degradation and alleged human rights abuses (Hennchen, 2015). While critical scholars have highlighted the negative consequences of MNC's engagement in public responsibility strategies, they have selectively focused on cases when corporations do not implement or even manipulate institutional demands without proposing a more systematic and complete model of corporate response strategies and determinants.

Overall, despite significant progress, we still lack a systematic empirical examination and a systematic model of how corporations can and do conform to political CSR demands. Notably lacking is the explicit attention to the role of organizational self-interest and agency and the impact on outcomes for society (Banerjee, 2007, p. 167; Devinney, 2009, p. 54; Margolis & Walsh, 2003) in particular empirical settings (Bromley & Powell, 2012, p. 519; Brunsson et al., 2012; Frynas & Stephens, 2014). To understand the effect of a company's response to institutional norms for political CSR (IV) on societal outcomes (DV), this paper used a case study to answer the following questions:

1. How do companies respond to political CSR demands?
2. Under which conditions are the different response strategies likely to be mobilized?
3. How do corporate response strategies affect societal outcomes?

4.4. Methodology

In this paper I embrace the company's dilemma between economic and broader social objectives and the lack of attention to the impact of corporate responses on affected stakeholders as a starting point for a systematic in-depth empirical inquiry (Banerjee, 2007; Margolis & Walsh, 2003). Using a single case study (Eisenhardt, 1989a) was appropriate and instrumental for several reasons. Given the predominantly normative focus on theorizing on the political role and responsibilities of MNCs (Matten & Crane, 2005; Scherer & Palazzo, 2011; Scherer & Palazzo, 2007), authors call for an empirical investigation of how companies respond to legitimacy challenges in complex and heterogeneous environments (Scherer et al., 2013). Notably, there is a lack of research attention for Africa (Egri & Ralston, 2008; Kolk & Van Tulder, 2010) where there is "relatively little on-the-ground corporate responsibility research in countries where the need for corporate responsibility is most pressing due to greater poverty, environmental degradation, and institutional governance issues" (Egri & Ralston, 2008, p. 325). Hence, a qualitative case study is well suited to support and facilitate comprehension of phenomena that is not well understood (Marshall & Rossman, 1995) and to develop existing theory "by pointing to gaps and beginning to fill them" (Siggelkow, 2007, p. 21). More importantly, the single case is sufficient since the aim is to identify new concepts and to challenge the existing world views (Siggelkow, 2007) and as "a few observations – perhaps even just one – can provide an intensity of information that allows inferences even a large dataset might not reveal" (Morck & Yeung, 2011).

4.4.1. Case selection

I chose a case suitable to the phenomena under investigation (Eisenhardt, 1989a; Yin, 1994): Royal Dutch Shell, a powerful top Fortune 500 company – the number No. 1 and No. 2 on the Fortune 500 in the years 2012/2013 and 2014 respectively (Fortune, 2015) – has increasingly acquiescenced to normative political CSR demands (see inhouse analysis by Jacoba Schouten, 2010). Shell is a front-running company in CSR and was one the first to issue CSR annual reports, set up social and environmental management departments, and explicitly commit to human rights (in 1997) such as the international declarations and standards developed to foster human rights, including the Universal Declaration of Human Rights (UDHR, 1948), the International Labor Organization's Declaration on Fundamental Principles and Rights at Work (1998), the United Nations Global Compact (2000) and the Voluntary Principles on Security and Human Rights (2001) (Schouten & Remm, 2006). Furthermore, Shell has been widely recognized by academics and practitioners alike as a leader for its proactive management of environmental, social and governance issues (AccountAbility, 2005; Channing Corporate Citizenship Award, 2011; Corporate Knights, 2010; Crane & Matten, 2004; Fortune, 2008; Innovest, 2006; Jacoba Schouten, 2010; Lawrence, 2002; Management & Excellence, 2006 ; Scherer et al., 2006; Schouten & Remm, 2006; VBDO, 2006; World

Business Council for Sustainable Development, 2015). The implementation of political CSR demands into the company's governance structure and processes involved a total reformation of the existing relationships, corporate governance structure and CSR policies. In 2009 Shell implemented a new Health, Safety, Security, the Environment (HSSE) and Social Performance (SP) control framework and located CSR issues at the Board level. The overall accountability for sustainable development within Shell lies with the Chief Executive Officer (CEO) and the Executive Committee. They set priorities and standards in sustainable development, which define standards and accountabilities at each level of the organization. The Corporate and Social Responsibility Committee assists the Board of Directors in reviewing policies and performance, visiting facilities and meeting with government officials, community representatives and local non-governmental organizations (NGOs) (Royal Dutch Shell, 2012c, p. 5). The 'Social Performance Management Unit' (SPMU) gives expert support to Shell subsidiaries and/or joint ventures with regard to managing their impact on local people such as resettlement of communities, air emissions, or operational activities on traditional lands (Schouten & Remm, 2006). An integral part of Shell's control framework are the Shell General Business Principles and the Code of Conduct. The eight business principles govern how Shell companies conduct its affairs with regard to its main areas of responsibility – shareholders, customers, employees, business partners, and society, based on the core values of honesty, integrity and respect for people (Royal Dutch Shell, 1976). In line with the overall control framework, policies were developed for special focus areas. In line with the research objective of this paper, I have selected three focus areas: community engagement and development, security and transparency. In all areas, Shell favors MSI and dialogue to achieve practical and effective solutions, which are beneficial to all parties involved (Royal Dutch Shell, 2015c, p. 4). Table 5 gives an abbreviated overview of Shell's implementation of political CSR policies in the three focus areas.

Table 5 Overview of Shell's implementation of political CSR policies

Focus area	Community engagement & development	Transparency & anti-corruption	Security & Peace
Mission	"Community engagement is fundamental to our approach to sustainability. It helps us to find better solutions, build people's trust and is the basis for operating responsibly" (Royal Dutch Shell, 2014b, p. 18) Shell aims to engage in close dialogue with communities to understand their concerns and decide how to best address them. This includes on the one side the negative impacts of the company's operations such as gas flaring and operational oils spills, and on the other side the benefits it can bring to communities via social investment, employment and contractor opportunities, training and ecosystem restoration (Royal Dutch Shell, 2014b)	"Shell is committed to transparency" and "We do not tolerate the direct or indirect offer, payment, solicitation or acceptance of bribes in any form. Also, we have been publishing payments to governments voluntarily, because for Shell paying taxes in the countries where we operate is more than complying with the law; it is about showing that extraction of natural resources leads to the opportunity of government revenue, economic growth and social development" (Royal Dutch Shell, 2015b)	"We only allow armed security when required by law or when other ways to manage security risks have been considered. All armed guards must meet our standards based on UN guidelines and conventions on the use of force and the Voluntary Principles on Security and Human Rights. Shell's security personnel receive mandatory training under the requirements of the principles" (Royal Dutch Shell, 2015a)
Policy	1) Global Memorandum of Understanding (GMoU) • Since 2006: inclusive and accountable approach to community development (Shell, 2012) • written statement between SPDC & community group/cluster • decision-making committee called the Cluster Development Board is main supervisory and administrative organ, ensuring implementation of projects and setting out plans and programs (incl. representatives from communities, state and local governments, SPDC and non-profit organizations (Shell Nigeria, 2013)) • SPDC provides secure funding for five years & access to development experts (Shell Nigeria, 2013) • executed in partnership with facilitating non-profit organizations such as the Initiative for community development (ICDNGO), The Niger Delta Professionals for Development (NIPRODEV): they handle sensitization, communication, capacity building and ensure quality delivery of GMoU projects and programs (Shell Nigeria, 2013)	1) Voluntary reporting on socio-economic performance in line with external guidelines: • Global Reporting Initiative G3.1 • International Petroleum Industry Environmental Conservation Association • UN Global Compact & human rights, labor, environment and anti-corruption principles 2) Reporting to leading indices that assess companies' economic, environmental and social performance on behalf of investors: • KLD Research and Analytics' Global Climate 100 Index (Utting & Ives, 2006, p. 19)) • Dow Jones Sustainability Indexes • FTSE4Good • Carbon Disclosure Project • Goldman Sachs SUSTAIN ESG (environmental, social & governance) (Shell, 2015)	• Signed up to the Voluntary Principles on Security and Human Rights • Contracts with private and public security forces include the principles • Company-wide security manuals set requirements for how we keep our people and facilities safe, and respect human rights

	2) Joint Investigation Visit (JIV) • Stakeholder engagement to assess the cause and extent of oil spills (Royal Dutch Shell, 2014b) • The joint investigation team includes representatives of regulatory agencies, the oil company, the affected community and the security forces • The JIV is the basis for deciding whether communities receive compensation for damage to their homes, fields and fisheries. The data also affects how much compensation they receive and may affect the extent and quality of clean up 3) Other multi-stakeholder partnerships: • The International Union for Conservation of Nature (IUCN) & Nigerian Environmental Study Action Team • The Danish Institute for Human Rights (DIHR) • Nigerian Government & Niger Delta Development Commission since 2003	3) Voluntary reporting of oil spill data in Nigeria since 2010 (Ten Kate, 2010) 4) Zero tolerance policy on corruption & bribery • Shell sits on Transparency International's Steering Committee for the Business Principles for Countering Bribery • Includes principle 10 of UN Global Compact • Shell's Code of Conduct includes specific instructions to staff and mandatory training • Shell General Business Principles have an anti-bribery commitment • A Global Helpline to seek advice and report violations	
Impact on public good	Amount spent on voluntary social investment: • 2014: $160 million • 2014: $112 million direct contribution from SPDC and SNEPCo to social investment projects (Royal Dutch Shell, 2014b, p. 37) GMoU performance in 2012: • Agreements with 33 GMoU clusters, covering 349 communities or 35% of the local communities • 723 projects were successfully completed through GMoUs (including specific project-GMoUs). • cumulative total funding for GMoU projects and programs is over $117 million (with over $30 million in 2012 alone) • 9 of 33 CDB have grown to become registered foundations now receiving third party funding	• 2014: 267 Code of Conduct violations reported to global telephone helpline and dedicated website, and through internal channels (Royal Dutch Shell, 2014b, p. 53)	Personal safety: • 2014: lowest ever number of injuries per million working hours* • lowest ever level of injuries* • five people lost their lives (Royal Dutch Shell, 2014b, p. 45)

Source: Own elaboration based on Royal Dutch Shell (2014b; 2015a; 2015b), Shell (2012; 2015), TenKate (2010), Utting & Ives (2006)

Notes: *Information with regard to Shell's performance in Nigeria on safety in the community is classified as confidential

Despite these efforts, the company remains a regular target of civil society activism and litigation concerning malpractice. The catalogue of proven and alleged malpractices is substantial: environmental degradation, complicity in Human Rights abuses, corruption, and inducing intra- and inter-community conflict among others (J. D. G. Frynas, 2000; Frynas, 2004; Frynas, 1998; J. G. Frynas, 2000; Frynas, 2003, 2005; Hennchen, 2015).

Shell's involvement in these traditional government responsibilities has two critical dilemmas. First, the company is facing conflicting demands to address public good issues in the context of a governance void at the global level and in developing countries such as Nigeria. The goal to achieve public ends stands in direct contrast with the company's instrumental goals to maximize their shareholders' wealth and an all-encompassing responsibility of a whole community might even jeopardize the company's long-term survival (Mäkinen & Kasanen, 2014, p. 3; Steinmann, 2007). Second, Shell operates in a highly decentralized field at the global and local level with several democratic shortcomings (Hassel, 2008), which lacks both a principal constituent whose authority is formalized and institutional processes to monitor and enforce compliance. Thus, for many civil society actors, there is an important concern about the implications on the democratic control of powerful corporations and that corporate responses are made in the best interest of the public. In sum, crucial questions remain: How does companies respond to increasing pressure for addressing public goods problems and regulation? Does the successful business try first to profit or to serve (Merton, 1976, p. 88)? What do corporations may want in return (van Oosterhout, 2005, p. 680)? This paper focuses on this dilemma and sheds light on the different strategic responses that a MNC such as Shell enacts as a result of the institutional pressures toward conformity with political CSR demands and the conditions under which organizations will resist institutionalization.

Since political CSR involves global and local issue arenas, different levels of analysis are necessary. The first research level is the local country context as the engagement (partnerships and dialogue) with local communities and social investment have become a cornerstone of the company's CSR policies (Royal Dutch Shell, 2014b). Out over the 140 and more operating countries, I have selected Nigeria and Shell's 100% owned subsidiary SPDC for several reasons. First, Shell's experiences in Nigeria invite formulating generalizable insights since the company's reputational backlash with regard to the Ogoni issue in the mid 1990's not only triggered the formalization of a company-wide CSR agenda in line with political CSR elements (see for a more detailed description of the transformation process within Shell Mirvis, 2000), but also "put the social responsibility and the legitimacy of the oil companies on the top of the public agenda" (Tangen, Rudsar, & Bergesen, 2000). Shell's experiences epitomize the changes of other companies following Shell's lead and the emergence of a new CSR industry to support their efforts (Schouten & Remm, 2006; Tangen et al., 2000).

Second, the country context draws attention to the background conditions of globally operating companies in heterogeneous and complex environments and the lack of impact on societal ends. Nigeria has become the synonym of the 'paradox of want in the midst of plenty'. Despite an estimated US$600 billion of oil revenues since the 1960s (Wurthmann, 2006) more oil-producing community members are living in poverty now than before oil was found. As an activist bewailed in an interview, "Oil was taken from my community for 25 years. There is not one community in Ogoni that has a pipeline for water. There is no community that has a school, there is no community that has electricity. Is that not a lack?" (Social Action, interview 21.04.2010). In the same line of thought a fisherman from Bodo complained, "When Shell came in 1958, we thought they would bring change and change the status of the people. We expected them to bring infrastructure and water and jobs. […] Now poverty is everywhere" (Amnesty International, 2011, p. 42). Independent figures corroborate these statements. The United Nations Educational, Scientific and Cultural Organization reported in 2010 that, even at peak production, 92% of the Nigerian population survived on less than US$2 a day. Moreover, in 2007 Nigeria's Human Development Index was as low as 0.511, ranking the country 158th out of 182 countries and rendering it unlikely to achieve any of the Millennium Development Goals by 2015. Similarly, Nigeria suffered from a high adult illiteracy rate, poor quality of education and serious health challenges. Malaria was considered the most significant public health problem, and the country was the second most affected by the global HIV/AIDS health crisis. In addition, the International Energy Agency informed that over 49% and 65% of the population in 2009 continued to live without access to electricity and clean cooking facilities, respectively (International Energy Agency, 2011, p. 472).

Third, I have chosen to focus the Shell Petroleum Development Company (SPDC) out of the four Shell companies in Nigeria as the subsidiary has largely implemented political CSR principles to address public good problems in different issue areas. For example, in 2006 SPDC introduced a new way of working with communities. This Global Memorandum of Understanding (GMoU) represented an important shift in the company's stakeholder engagement approach, placing emphasis on more transparent and accountable processes, regular communication with grassroots organizations and greater sustainability and conflict prevention (Shell, 2012). Then managing director Sunmonu explained that this community development program, "managed through a Community Interface Model, is providing social infrastructure, promoting public health and connecting communities to electricity for the first time" (ECCR, 2010, p. 59). According to the independent Dutch specialist on Nigeria Van der Aa (2005), SPDC is one of the largest development aid organizations in Nigeria (Schouten & Remm, 2006, p. 214). In 2014 SPDC has contributed US$112 million to voluntary social investment projects and US$202 million to the Niger Delta Development Commission in 2014 as required by law (Royal Dutch Shell, 2014b, p. 37). Also, SPDC was voted "Best Company in most Innovative CSR" in 2011 at the Nigerian Social Enterprise Report and Awards (Shell Nigeria, 2012c). Shell's positive impact is also manifested in its economic contribution to the government. Being the country's largest oil and gas company in Nigeria (accounting for 40% of the country's oil production, and 53% of Nigeria's hydrocarbon reserve base (Ite, 2007)), SPDC paid $48 billion revenues to the Nigerian government from 2010 to 2014 (Royal Dutch Shell, 2014b, p. 37). This makes up more than three quarters of all revenues.

The second research level is the company's headquarters in The Hague, Netherlands and its registered office in London (Shell Centre). This level is important for the analysis since it acts as the financial and strategic center for the company as a whole and it manages international stakeholder engagement and partnerships – particularly with regard to social and environmental issues negotiated within the global arena. The permanent

Nigeria team at headquarter level[6] is responsible for partnerships management and external engagement with local and international stakeholders such as Nigerian (local) government institutions, academics, United Nations, NGOs etc. The team coordinates for example international initiatives such as Extractive Industry Transparency Initiative (EITI) with the Nigerian government and engages with academics on human rights issues related to their business on international conferences (Jacoba Schouten, 2010, p. 223). In line with the HSSE & SP control framework policies are cascaded down from headquarters to the business units and the supply chain. In sum, this level of analysis is crucial since the company's response to institutional demands is very much determined by the headquarters' control framework (see also the confidential Design and Engineering Practice documents obtained by the lawyers of four Nigerian farmers and Friends of the Earth Netherlands (Milieudefensie) (Mileudefensie, 2013) and depending on the issue at stake the company uses different organizational levels (country or headquarters) to respond to institutional demands.

Shell's complex operating environment and the 'controversial nature of its core business' makes it a telling analytic and extreme case in which to explore both corporate responses and response determinants to political CSR demands. Extreme cases not only allow a better understanding of the phenomenon and concordant theory building (Eisenhardt, 1989a) but also "offer lessons for all organizations as they face an increasingly turbulent word" (Eisenhardt, 1989b, p. 573). Hence, this study's high-relief observations support a welcome agenda of formulating generalizable insights in the political CSR and institutional theory scholarly agenda. Furthermore, the case selection responds to recent calls for revealing a new framework for thinking about non-institutional forms of decoupling (Bromley & Powell, 2012) with regard to the gap between political CSR activities and public ends (dependent variable is outcome for society) (Banerjee, 2007): the emphasis on organizational self-interest and agency (or non-institutional decoupling) directly links theorizing on political CSR – dominated by institutional and stakeholder theory (Frynas & Stephens, 2014) – to other perspectives such as critical management studies and institutional work (Lawrence & Suddaby, 2006).

[6] Note, that no such team is installed for other countries at the group level

4.4.2. Data collection

Longitudinal qualitative data were collected intermittently over six years (2010-15). To avoid potential bias from a single data source or informant (Eisenhardt, 1989a; Yin, 1994), I used a range of field methods and interviewed informants from different professional backgrounds (corporate, civil society, academic) at multiple levels of hierarchy (e.g. CEO and intermediate managers). The data presented comes from multiple sources such as in-depth interviews, informal meetings, and extensive archives. Triangulation of data collected from multiple sources and multiple times allowed for a stronger substantiation of constructs (Eisenhardt, 1989a, p. 538) and strengthens confidence in the reliability of findings (Barratt et al., 2011; Jick, 1979).

An important data source was semi-structured interviews, which was collected in two waves. The interviews lasted between 40 and 90 minutes and increased in focus and depth over the period because of the cumulative and iterative nature of the fieldwork process. Some informants were interviewed several times to triangulate information. Interviews and conversations with Shell employees provided valuable insights and guided the investigation, but statements were eventually not included in this manuscript due to confidentiality reasons. In total, I collected 46 interviews with 37 informants (see Table 6 for an overview). During the first round of data collection (2010-2013), I collected 21 face-to-face and 8 skype interviews. Here, the two-week research visit to Nigeria and Shell's headquarters in Den Haag formed an important basis to gain firsthand experience in the topic and establish personal ties. I identified informants by sampling from key stakeholder groups in the Nigerian extractive industry: present and former directors of civil society organizations (critical as well as corporate-aligned), renowned academics, corporate consultants, as well as senior and middle managers of Royal Dutch Shell and SPDC. I was provided with an unusual degree of access to high profile informants due to my personal professional ties with civil society groups and a personal contact in Royal Dutch Shell. Furthermore, the snow-balling technique proved very helpful (Lincoln & Guba, 1985) to gain access to more high-caliber respondents until data saturation was reached. A key advantage of this sample is the high number of civil society informants, which allowed gaining first-hand insights into how the company's response affects them; a focus that previous studies have not addressed (Banerjee, 2007). To complement these formal interviews and obtain additional documents such as training material and meeting handouts, I attended topic-specific workshops and conferences such as the Second Annual Conference on Regional Integration in Africa (ACRIA) in Abuja on the 7th and 8th of July and the Heinrich Böll workshop on climate change in Abuja on the 12th and 13th of July 2011.

During a second wave of data collection (2014-2015) I conducted 17 semi-structured skype interviews. I followed theoretical sampling (Glaser & Corbin, 1996) to gather more specific data on Shell's global response and response determinants to Nigeria-relevant political CSR issues (particularly transparency issues as a global issue area). The second round of data gathering allowed refining emergent themes and interrogating informants directly on specific aspects of nascent findings. This use of external informants enabled to induce richer insights from the aggregate data (Santos & Eisenhardt, 2009) and densify categories in terms of their properties and dimensions (Glaser & Corbin, 1996, p. 201).

I addressed potential informant bias in several ways. First, I relied on informants from different backgrounds (corporate actors, civil society and academics both cooperating and opposing Shell; local and international) and multiple levels of hierarchy (e.g. executive director and middle-level managers). Notably, these informants were particularly knowledgeable about corporate responses, response determinants and effects on the public good. This approach harnessed a mix of different perspectives and improved the likelihood of getting a complete, accurate picture. Second, I promised anonymity to informants to encourage uninhibited responses. Also, due the sensitivity of the research topic some interviews were not recorded (marked in Table 6 with *) to allow for more candor. Yet, significant note taking of proceedings and interactions and writing them up within 24 hours, as Yin (1994) recommended, constituted helpful alternatives. Third, in line with prior research (Huber, 1985; Huber & Power, 1985), I used interview techniques that have shown to yield accurate information from interviewees. For courtroom questioning, I emphasized open-ended narrative and facts (e.g. confronted corporate employees with scientific findings and legal accusations). For the non-directive questioning, I avoided questions typically encouraging vague speculations and pressed informants for specific answers (e.g. asked for details when an informant termed a corporate response as manipulative). In line with the event tracking technique, I put informants back in the time frame of events and asked them to provide a step-by-step chronology of events (Eisenhardt, 1989a). This was particularly helpful for developing the narrative account as informants detailed the when, how and why of corporate responses to institutional demands. Finally, I triangulated interview data with informal meetings, extensive archival data and follow-up Emails to verify emerging constructs.

I collected more than 250 documents (see 4.7.1. Appendix 1), including primarily internal ones (company's press releases, sustainability and financial reports, leaked confidential company reports and communication minutes) and public documents (press releases, articles, and web pages). Notably, the documents are from different sources, so as to yield a mix of different perspectives and provide a running history of how corporate responses develop and change over time (Pondy, 1983). Particularly, given the confidential character of Shell's primary data, internal documents provide credible and insightful information for the company's voice as they give detailed insights into internal company structures, processes and motivations. The documents were searched several times. Initially I took field notes to construct the case story, which formed the background to the interview questions, and used following searches to validate interviews and antecedent material from secondary sources. In addition to the follow-ups via email I also contacted Shell's sustainability reporting team for clarifications and additional information about the corporate sustainability report (11.09.2013 & 28.05.2015). Detailed field notes were written up within 24 hours, as recommended by Yin (1994).

Table 6 Overview of interviews (Study 3)

Background (total no. of interviews)	Organization	Functional area	Level	Date
Corporate (8)	SPDC	Energy Policy	High	Serial: • Interview 06.07.2011 • Email follow-ups
	SPDC	Communication	High	Interview: 12.07.2011
	Royal Dutch Shell, Den Haag	Communication	High	Interview: 19.11.2011
	Royal Dutch Shell, Den Haag	Strategic relations	High	Interview: 19.11.2011
	Royal Dutch Shell, Den Haag	CSR specialist	Mid	Serial: • Skype interviews: 23.04.2012(*) & 22.4.2015 • E-Mail follow-ups
	Royal Dutch Shell, Den Haag	External affairs	High	Skype interview: 16.12.2014
	Royal Dutch Shell, London	Tax and corporate structure	High	Skype interview: 21.04.2015
Local civil society organization implementing Shell's GMoU (5)	Initiative for Community Development	Community development	High	Serial: • Interview: 13.07. 2011 • Skype interview:(*) 19.08.2013 • E-Mail follow-ups
	NIPRODEV	Community relations	Mid	Serial: • Skype interview: 29.09.2013 • E-Mail follow-ups
	Environmental Health and Safety Network	Environment, health and safety	High	Serial: • Interview: 13.07.2011 • Skype interview: 04.11.2013
Local civil society organization (11)	Africa Center for Corporate Responsibility (ACCR)	Corporate Social Responsibility	High	Skype interview: 13.08.2013
	Stakeholder Democracy Network/SDN	Democracy and transparency	High	Serial: • Skype interview 16.04.2015 • E-Mail follow-ups
	The Movement for the Survival of the Ogoni People (MOSOP)	Community development and Human Rights	High	Skype interview:(*) 07.07.2011
	Civil Society Legislative Advocacy Centre (CISLAC)	Legislation, democracy and governance in issues related to corporate responsibility,	Mid	Serial: • Interviews:(*) 05.07.2011 & 11.07.2011 • E-Mail follow-ups

		health, education, fiscal responsibility		
	Civil Society Legislative Advocacy Centre (CISLAC)	Legislation, democracy and governance in issues related to corporate responsibility, health, education, fiscal responsibility	High	Serial: • Interview: 07.07.2011 • Skype interview(*): 09.07.2013 • E-Mail follow-ups
	African Network for Environment and Economic Justice	Environmental and economic justice	High	Interview: 05.07.2011
	Niger Delta Budget Monitoring Group (NDBUMOG)	Community development and accounting	High	Skype interview:(*) 13.07.2011
	African Center for Leadership, Strategy and Development (LSD)	Community development, social and economic justice	High	Interview: 11.07.2011
	Social Action	Community development and social justice	High	Serial: • Interview: 21.04.2010 • Email follow-ups
West-African civil society organization (1)	ECOWAS commission	Extractive industry, community development, transparency	High	Interview (*): 04.05.2011
Academic & Local civil society organization (5)	West Africa Civil Society Forum	Community development, peace and transparency	High	Interview: 07.07.2011
	Integrated Ecosystem Management Project - Nigeria-Niger Joint Commission for Cooperation	Environment, social and economic justice	High	Interview: 12.07.2011
	ERA - Environmental Rights Action	Environment and Human Rights	High	Interview: 12.07.2011
	Centre for Democracy and Development (Abuja, Lagos, Manchester)	Community development, democracy and Human Rights	High	Serial: Interviews: 06.07.2011(*) & 08.07.2011
Academic & International civil society organization (1)	Revenue Watch Institute (RWI)	Transparency, social and economic justice	High	Interview: 05.07.2011
International civil society organization (15)	Heinrich Böll Foundation (HBS), Nigeria	Environment, democracy, and education	Mid	Interview: 12.07.2011
	Publish What You Pay (PWYP), Nigeria	Revenue transparency	High	Interview: 13.07.2011

	Global Witness	Revenue transparency	Mid	Serial: • Skype interviews: 25.09.2014, 03.10.2014 & 16.12.2014 • Email follow-ups
	Global Witness	Revenue transparency	High	Serial: • Skype interview: 30.10.2014 • E-Mail follow-ups
	Earth Rights International	Human Rights, environmental protection	High	Serial: • Skype interview: 15.10.2014 • E-Mail follow-ups
	PWYP UK	Revenue transparency and accountability	High	Skype interview: 24.10.2014
	NRGI Natural Resource Governance Institute (formerly the Revenue Watch Institute – Natural Resource Charter)	Revenue transparency and accountability	High	Serial: • Skype interview: 4.12.2014 • Email follow-ups
	ONE Campaign	Poverty and Health	High	Serial: • Skype interview: 31.10.2014 • E-Mail follow-ups
	PWYP US	Revenue transparency	High	Serial: • Skype interview: 29.10.2014 • E-Mail follow-ups
	PWYP International	Revenue transparency	High	Skype Interview: 28.11.2014
	Open oil	Governance and transparency in extractive industry, policy innovation, climate change, and energy security	High	Skype interview: 15.11.2014
	PWYP, UK	Revenue transparency	Mid	Serial: • Skype interviews: 04.12.2015 & 05.12.2014 • Email follow-ups

Note: *interview not transcribed, coded based on notes

4.4.3. Data analysis

At the end of our period of data collection, I submitted all of the primary and secondary data to ATLAS TI, a software program useful for qualitative data. The analysis procedure consisted of 4 stages, a process that allowed going back and forth between the data and the emerging theoretical arguments (Miles & Huberman, 1994; Strauss & Corbin, 1998). The purpose of these 4 stages was to uncover corporate responses to institutional demands and for determining why the corporation used the chosen response strategy in line with other qualitative research designs (Leonardi et al., 2012; Mair et al., 2012).

In the first stage, I started with a two-step within-case analysis to cope with the enormous volume of data (Eisenhardt, 1989a; Pettigrew, 1988). After the first round of data collection, I developed a narrative account (Langley, 1999) including interviews and archival data to establish a chronology of key events, actors and background conditions (see 4.7.2. Appendix 2) in order to understand Shell's role and relationships in the particular operating environment. I triangulated these data, emphasizing themes that were confirmed by at least two informants and supported by at least two data collection methods (Jick, 1979). As I developed this narrative account, I occasionally discovered that there was detailed information about key events (such as actors or a precipitating event) that had not been made explicit during my data collection. In those cases, I either returned to the secondary source or to the primary source asking an open-ended question about the missing information, to ensure that I did not bias the respondent's recall of the event. In a second step, I co-developed a teaching case (Hennchen & Lozano, 2012) as suggested by other qualitative analysis (Quinn, 1980). We reviewed the data to form independent views on the elements of the case and to create provisional categories and first-order codes (Van Maanen, 1979) (the first-order codes are visualized in Figure 2). We used ATLAS TI to keep track of the emerging categories. As Miles and Huberman (1994) suggested, these first categorical codes provided descriptive labels for the different corporate responses and the background conditions that determined them. These codes were largely built upon the words used by the informants and secondary and included for example 'use policy of appeasement' and 'address low-hanging fruits'. We then refined these initial categories via replication logic – the iteration between theory and data – to sharpen construct definitions, theoretical relationships between constructs, and underlying theoretical arguments (Eisenhardt, 1989a). Following the procedures by Pratt el al. (2006), we either corrected a category or reconceptualized it when the revisited data did not fit it well (Pratt, Rockmann, & Kaufmann, 2006).

After the first stage and examining the first-order codes, it became clear that Shell had engaged in a number of different responses to different events in the chronology.

Furthermore, I learned that some of these responses included global civil society organizations and addressed issue arenas that were global in scope such as revenue transparency. So, I initiated a second round of data collection in 2014 and 2015 with global civil society organizations and also followed up with local informants on this topic. I focused specifically on transparency issues, as it became evident during the initial phase of analysis that few additional ideas and issues were emerging when looking beyond this category (Glaser & Strauss, 1967). In this second stage of analysis, I used a process of selective coding (Strauss & Corbin, 1998) to complement and refine the established first-order codes. A Master student was trained in the coding framework (Miles & Huberman, 1994) and we flagged each instance in which the company was evaluated against its social and environmental performance. We looked specifically at the actions Shell had taken and compared them with their public media statements to find out if and to what extent the company has implemented institutional demands for transparency into its processes and structures and refined the previously established first-order codes. For instance, after several iterations and discussions we ruled out full acquiescence as a likely response.

The third stage involved axial coding (Strauss & Corbin, 1998) using the first two research questions as a lens (Eisenhardt, 1989a). The purpose of axial coding is to create more abstract codes by putting the fractured data back together (Strauss & Corbin, 1990). This connecting is accomplished through the use of a coding paradigm, which focuses on three aspects of the phenomenon: the conditions or situations in which phenomenon occurs; the actions or interactions of the people in response to what is happening in the situations; and, the consequences or results of the action taken or inaction (Strauss & Corbin, 1998). The axial coding was done by the author and reviewed by 2 colleagues familiar with the political CSR literature. The result was a classification into corporate responses to institutional demands – bargaining, internal buffering, ignoring and manipulating – and response determinants – efficiency, legitimacy, autonomy, legal coercion, voluntary diffusion, and dependency on institutional constituents.

Finally, in the fourth stage I identified important dimensions from the sets of second-order constructs. For instance, the some responses involved passive compliance with institutional demands (e.g. bargaining and internal buffering), whereas others rejected or even tried to alter institutional demands or representative institutional constituents (e.g. ignoring and manipulating). Likewise, some categories pointed to response determinants in relation to conflicting goals (e.g. efficiency, legitimacy, and autonomy) whereas others seem more related to power relations (e.g. legal coercion, voluntary diffusion, and dependency). As the theoretical frame clarified, I added comparison with the extant literature to highlight similarities and differences, sharpen construct definitions, strengthen the internal validity of findings, and raise the generalizability of the emergent theory (Eisenhardt, 1989a). I engaged in repeated iterations among data, theory, and literature until I had a strong match between data and theory. For example, the phenomenon of the company's increasing compliance with institutional demands resonated with recent extant institutional theory's findings on means-end decoupling (Bromley & Powell, 2012; Wijen, 2014) and the new political role of MNCs (Scherer & Palazzo, 2011; Scherer & Palazzo, 2007). In particular, I found the notion of symbolic implementation (Bromley & Powell, 2012) useful to consolidate the first two responses into one broad theoretical dimension. This dimension includes instances when normative demands are largely implemented into company's processes and governance structures, but total conformity is precluded. Going beyond mainstream institutional theorizing, the conception of institutional work (Lawrence & Suddaby, 2006) and Oliver's (1991) (Oliver, 1991) discussion of strategic responses to institutional processes were helpful to describe the instances of corporate self-interested agency and resistance to institutional pressure in more depth. For example, in line with Oliver (1991) I have identified 'defying' and 'manipulating' as active responses to political CSR demands. Then I collapsed these two responses into the final theoretical dimension 'active contestation'. This dimension refers to instances when normative demands are actively resisted and altered predominantly towards corporate ends as opposed to the rather passive reaction to institutional demands of the first category 'symbolic implementation'. Figure 2 provides a schematic overview of this process and the resulting first-order codes, second-order constructs, and derived theoretical dimensions. The result of this inductive analytic process is the midrange theory that follows. In the next section, I present the findings around these two broad theoretical dimensions with regard to responses and response determinants respectively.

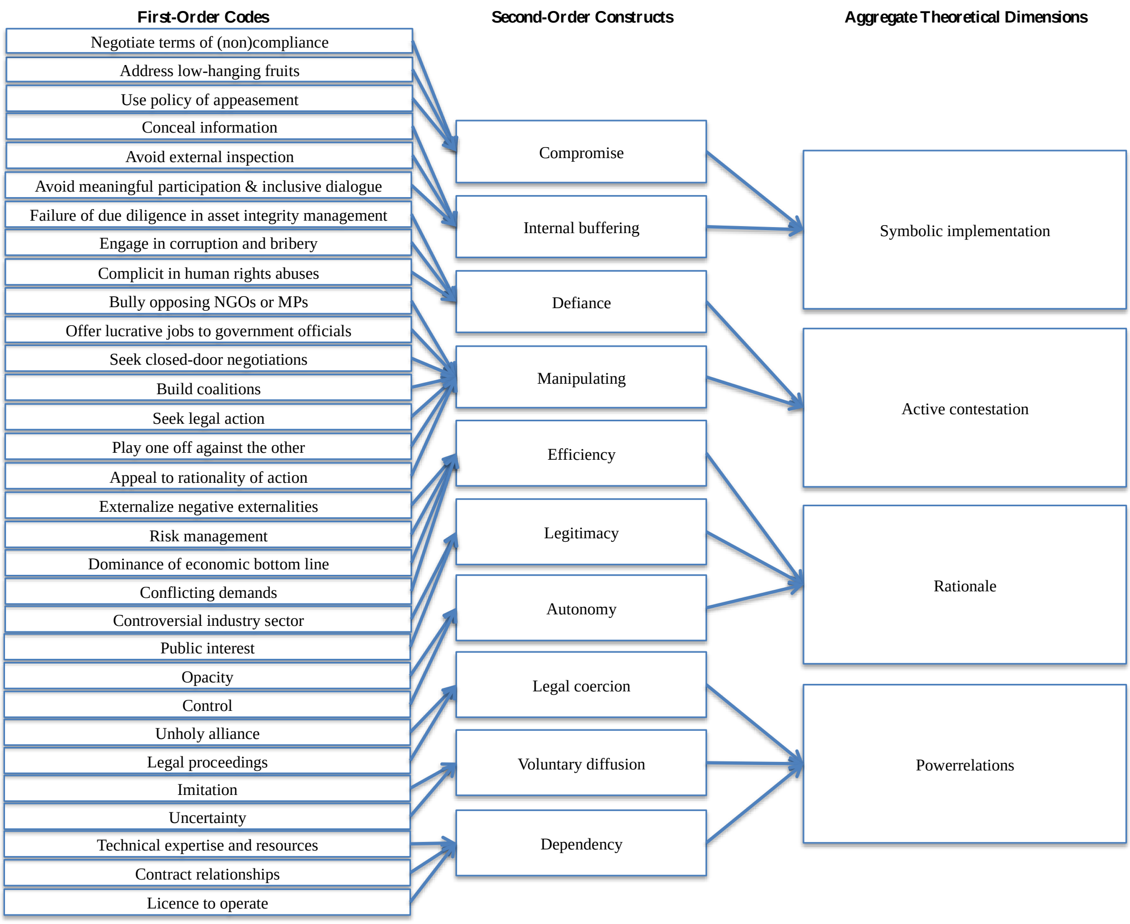


Figure 2 Analytic structure exemplified

4.4. Findings

The research questions asked about the company's response institutional demands for political CSR, the conditions under which the different strategies are likely to be mobilized, and how this affects societal outcomes.

Because it is not possible to offer a detailed account of all incidences that have been identified, I use representative data and vignettes in line with other qualitative studies (e.g. Jarzabkowski, Lê, & Feldman, 2012) to illustrate the company's response (written in *cursive)*, thus explaining *what* the company did. Here I focus on three public good issues that are relevant to the company's core business: transparency[7], community

[7] For example, transparency advocates argue that disclosure of oil and gas company payments to host governments for natural resources is a public good as it reduces corruption and increases accountability in resource rich countries.

engagement and development, and peace and security. The data analysis has identified two main theoretical dimensions – symbolic implementation and active contestation. While the former involves a passive and rather responsive coupling with institutional demands to address public goods issues, the latter is characterized by active resistance and alteration of institutional demands towards corporate instrumental goals. Although the company's responses are presented in a certain temporal order and within a certain representative response category, they should not be seen as having a linear relationship or being mutually exclusive. They are rather characterized by a temporal and categorical overlap showing that company employs various response strategies for one issue area at the same time. For example, the company responds to institutional demands for more transparency with internal buffering, defiance and manipulating strategies.

The text in **bold** indicates the particular boundary conditions that were identified as contingency factors for each of the company's response. This explains *why* the company responded in a certain way. The two main factors are 1) the company's rationale such as efficiency, legitimacy, and autonomy (see Table 11 for an overview) and 2) power relations such as the company's dependency on institutional constituents and constituency power to enforce their respective demands which are determined by legal coercion, voluntary diffusion of CSR standards, and dependency (see Table 12 for an overview). The latter illustrates the shifting opportunities and power dynamics of the company's political engagement in multi-stakeholder initiatives and dialogue. This complex and dynamic process of corporate responses is extended over time, and somewhat indeterminate with predominantly negative consequences for public ends. The findings rule out full acquiescence to institutional demands in the context of these two boundary conditions.

4.4.1. Symbolic implementation

4.4.1.1. Compromise strategies

Vignette 1. The joint investigation visit and the new GMoU in Nigeria illustrate institutional demands for collaborative and communicative MSI in the area of transparency, community development and peace

Shell started to implement self-regulating multi-stakeholder partnerships and dialogue with affected communities, civil society and governmental organizations. Political CSR principles for stakeholder engagement – dialogue and partnering - became a cornerstone of Shell's strategy "of being a good neighbor" (Royal Dutch Shell, 2015c, p. 4). The company seeks to engage with multiple stakeholders regarding the negative impacts of the company's operations such as gas flaring and operational oils spills and on the other side the benefits it can bring to communities via social investment, employment and contractor opportunities, training and ecosystem restoration (Royal Dutch Shell, 2014b). With regard to the former, Mutiu Sunmonu (Chairman of Shell companies in Nigeria from 2010 to 2015) explains "We have also taken important steps forward to formalize the role of non-governmental organizations (NGOs) and other civil society representatives in the Joint Investigation Visits (JIVs) that follow oil spills. […] This has included building skills among people locally to respond to spills and help to remediate sites (Royal Dutch Shell, 2014b, p. 37). Shell works in partnership with the International Union for Conservation of Nature (IUCN) and one of its member non-governmental organizations, Nigerian Environmental Study Action Team and invited the National Coalition on Gas Flaring and Oil Spills in the Niger Delta (NACGOND) to join all JIVs (Royal Dutch Shell, 2014b). With regard to community development, SPDC introduced in 2006 the Global Memorandum of Understanding (GMoU) placing emphasis on more transparent and accountable processes, regular communication with grassroots organizations and greater sustainability and conflict prevention (Shell, 2012). Sunmonu explained that this community development program, "managed through a Community Interface Model, is providing social infrastructure, promoting public health and connecting communities to electricity for the first time" (ECCR, 2010, p. 59). Shell collaborates with both international and community based organizations. Whereas national non-profit organizations handle sensitization and communication of the GMoU model to the communities, develop the capacity of participating members on community development processes, and ensure quality delivery of GMoU projects and programs (Shell Nigeria, 2013), international organizations such as the Danish Institute for Human Rights (DIHR) help Shell to integrate human rights practices into the areas of labor practices, procurement, security and community impact (Royal Dutch Shell, 2014b, p. 22). In 2003, SPDC also forged a partnership with the government development agency, the Niger Delta Development Commission (NDDC), within the broad framework of the company's CSR strategy (Ite, 2007).

While the company's adherence to normative political CSR demands and its positive impact on public goods issues has been recognized by numerous awards (Channing Corporate Citizenship Award, 2011; Corporate Knights, 2010; World Business Council for Sustainable Development, 2015), scientific in-company analysis (Jacoba Schouten, 2010; Schouten & Remm, 2006), international civil society organizations such as the DIHR (in Schouten & Remm, 2006), and facilitating NGOs (Community relations, interview; Community development, interview), this in-depth study reveals that Shell attempts to *compromise* on its formal commitments (see Table 7 for an overview). The company seeks to achieve partial compliance with normative demands through actively bargaining with external constituents to exert some concessions for the scope and frequency of compliance, and the scope of the company's involvement in development issues or employment provision. With regard to the former numerous interviews with affected community members and civil society organizations (Revenue Watch Institute, interview 05.07.2011; Civil Society Legislative Advocacy Centre, interview 11.07.2011; The Movement for the Survival of the Ogoni People, interview 07.07.2011) and public documents about legal proceedings (Day, 2012, 2013; Leigh Day & Co., 2015; Milieudefensie, 2013a, 2013b; Standard, 2011) revealed that Shell *negotiates the terms of (non)compliance* with affected communities during the non-judicial (JIV) and the judicial compensation processes (e.g. Batan oil spill 2002, Bodo oil spills 2008/09, oil spills in Goi, Oruma and Ikot Ada Udo in 2008) instead of adhering to due processes and rules. For example, after the JIV visit had unanimously declared the two Bodo oil spills in 2008/09 as an operational failure of the pipelines, the company intended to placate the entire Bodo community with a compensation package of £4,000 (four thousand pounds GBP) (Leigh Day & Co., 2015). Only in 2011 when the villagers sought legal representation from lawyers in London, where Shell have their headquarters, Shell admitted liability for the spills. Yet, the company continued to dispute the amount of oil spilled and the extent of the damage caused until a settlement was reached in 2014 and agreed upon a compensation package of £55m (Leigh Day & Co., 2015).

The study also revealed that Shell tries to compromise on the company's GMoU commitment by addressing '*low-hanging fruits*' and adopting a *policy of appeasement*. With regard to the former, Shell intents to focus GMoU projects on issues that are instrumental to the company's goals (e.g. road building) and achieve a win-win situation (Community relations officer, Skype interview: 29.09.2013) instead of getting involved in macro CSR issues that present the real challenges such as corruption, Dutch disease, equitable distribution of oil revenue to avoid upsetting the GON whose support is critical for their business interests (Dauda, 2012; Idemudia, 2010). In his academic research on Shell's GMoU approach, one civil society member found that the company focused only on highly visible and salient projects that were consistent with social expectations while leaving the essential machinery of the company's core business (with its negative environmental impact) intact (Environment and human rights, interview 12.07.2011). He claimed Shell's engagement with stakeholders was perceived as rhetorical manipulation that did not transcend the company's self-interested position, "they ride on the wings of CSR to gain access to oil" (ibid.).

Shell has also adopted a *policy of appeasement* to compromise on its commitment to provide employment by pacifying powerful institutional constituents. Different sources revealed that the company offers controversial 'surveillance' contracts or one off payments to conflicting youths and anticipated 'troublemakers' for 'protecting' their pipelines and other facilities from attacks (Amunwa & Minio, 2011; Embassy Abuja, 2003b; Pendleton et al., 2004; Platform, 2012a; Ten Kate, 2010; WAC Global Services, 2003) and cleaning up oil spills (Stakeholder Democracy Network, interview 16.04.2015), and an informal agreement to tap oil at prearranged times (Open Oil, skype interview 15.11.2014; Stakeholder Democracy Network, interview 16.04.2015) as a substitute for the employment and a fair share of oil revenues that communities demand. One civil society member from the Environmental Health and Safety Network described the generalized sentiment among affected communities and members of civil society organizations (Social Action, interview 21.04.2010; Environmental Health and Safety Network, skype interview 04.11.2013; Revenue Watch Institute, interview 05.07.2011; PWYP Nigeria, interview 13.07.2011; (Stakeholder Democracy Network, interview 16.04.2015) as follows

“The new GMoU appears as a CSR approach but in actual sense, it is a community engagement model that seeks to keep the operating environment peaceful for effective exploration activities. Even though in theory the communities are meant to decide on projects and manage their funds as appropriate, in practice, there are still lots of controls and determinations from the GMoU office of SPDC” (Environmental Health and Safety Network, skype interview 04.11.2013).

Table 7 Overview of compromise strategies

First order code	Representative quotes
Negotiate terms of (non)compliance	• In the aftermath of the spills Shell originally offered £4,000 (four thousand pounds GBP) compensation to the entire Bodo community before the villagers sought legal representation from lawyers in London, where Shell have their headquarters (Leigh Day & Co., 2015) • In 2011 Shell admitted liability for the spills but continued to dispute the amount of oil spilled and the extent of the damage caused. Leigh Day began legal action at the High Court in March 2012 after talks broke down over compensation and a cleanup package for the community (Leigh Day & Co., 2015)
Address low-hanging fruits	• “The new GMoU appears as a CSR approach but in actual sense, it is a community engagement model that seeks to keep the operating environment peaceful for effective exploration activities. Even though in theory the communities are meant to decide on projects and manage their funds as appropriate, in practice, there are still lots of controls and determinations from the GMoU office of SPDC” (Environmental Health and Safety Network, skype interview 04.11.2013) • Shell focuses only on highly visible and salient projects that were consistent with social expectations while leaving the essential machinery of the company’s core business (with its negative environmental impact) intact (Environment and human rights, interview 12.07.2011) • Shell “rides on the wings of corporate social responsibility to get access to oil […] so corporate social responsibility becomes a leverage; an entrance; a means of entrance into the communities, to drill oil” (Environment and human rights, interview 12.07.2011)
Use policy of appeasement	• Oil companies make payments to local youth, as a substitute for the employment that communities demand’ (Pendleton et al., 2004) • Contracts are still seen as “gifts” to the community rather than as actual contracts. (WAC Global Services, 2003) • a Shell manager in Nigeria confirmed that the one-off contracts in Rumuekpe were: “just something to keep the youths busy during the Christmas period so that they will not be wanting to create jobs for themselves by vandalizing Shell or Elf facilities.” (Platform, 2012a) • Testimony and contracts seen by Platform implicate Shell in regularly assisting armed militants with lucrative payments. In one case from 2010, Shell is alleged to have transferred over $159,000 to a group credibly linked to militia violence (Amunwa & Minio, 2011) • “With regards to clean up, it is just like the other contracts … In the name of giving resources as part of local content to community leaders, community chiefs, and community contractors, Shell gives out these clean up contracts to individuals that have absolutely no clue, no expertise, no technical knowledge of what to do, and what to do well. And yet they give them these clean-up contracts in the name of local content” (Stakeholder Democracy Network, interview 16.04.2015)

4.4.1.2. Determinants of Shell’s compromise strategy

The company’s response to *implement MSI* such as the JIV and GMoU was essentially triggered by the Ogoni crisis in the mid-90s (see for a detailed analysis Mirvis, 2000), which provoked a profound **legitimacy** crisis and affected by extension the company’s economic bottom line (**efficiency**) (Mirvis, 2000; Tangen et al., 2000). The company faced increasing criticism from all sides: consumer boycotts in Europe and North America, shareholder activism through formal resolutions in Europe, increasing levels of community disruption in the Niger Delta, falling share prices and hemorrhaging staff (Pendleton et al., 2004). In this context, Shell was willing to trade off **autonomy** in return for greater legitimacy or economic viability. Particularly, the company’s **dependence** on both the Federal Government and local communities for its license to operate is determinant. An interviewee from Publish What You Pay (PWYP), Nigeria explained

> “Shell started with their social responsibility agenda in the nineties because they were pressured to do so from civil society. […] I tell you, if you go to the place where we have the very first oil field in Nigeria, you will weep! You will weep! So it is actually the agitation of civil society that made them start thinking about giving back and showing that they are not only destroying everything. Only when they felt that the environment was no longer too conducive for them, they begun engaging with civil society organizations, NGOs, to go into communities and talk to communities” (PWYP Nigeria, interview 13.07.2011).

Communities continue make direct claims to Shell to provide for their needs. A member from an NGO implementing Shell’s GMoU approach explains

> “for so many years the national government is not delivering socio-economic development. So the nearest representative is seen are the oil companies, who were doing some services, who were building facilities and infrastructure for their business, invest the most proximate government. That is why they were consolidating their social investment initiatives and started the GMoU” (Initiative for Community Development, interview 13.07. 2011).

Interviews with a community relations officer (NIDPRODEV, Skype interview 29.09.2013) and a civil society member (Revenue Watch Institute, interview 05.07.2011) confirm that Shell cannot ignore powerful demands from local communities. For example, not giving in monetary demands signifies increasing attacks and facility closures directly affecting the company’s economic bottom line (**efficiency**) such as the sabotage incident in August 2011 on the Bonny pipeline (Vidal, 2011). On the other hand Shell also high compliance pressure by the government to deliver public goods within its GMoU to maintain its legal license to operate. Boele and Fabig (2001) pointed for example to this core tension that has so far received limited attention. They stated that “what should companies like Shell do when faced with a situation where one of its key stakeholders (e.g. Nigerian government) expects it to act as its development agent” (Boele & Fabig, 2001, p. 132).

Furthermore, this unprecedented situation created high uncertainty within the company in which “everything – even the most hallowed of Shell's practices, beliefs, and traditions – is up for grabs” (Shell’s exploration and production director Robert Sprague in (Guyon, 1997, pp. 121-125). Since the company was “moving forward briskly into the fog” (ibid.) the concurrent rationalizing trends of the Global Environmental Justice Movement, the 1992 Rio Earth Summit putting CSR on the top of the public agenda, and the Human Rights Movement (**voluntary diffusion**) provided a powerful rationale for acquiescence (Jacoba Schouten, 2010; Mirvis, 2000). In the same line of thought, an interviewee from PWYP Nigeria informed

> “And you know, even globally, the corporate social responsibility started in the early nineties; people knowing that, "Okay, if I'm getting something out of this, then I should be responsible. […] If you are making so much money and you are bettering your own lot, why don't you better the lot of the people also where you are taking the resources from?” (PWYP Nigeria, interview 13.07.2011).

While compliance was instrumental to Shell, by virtue of the increasing legitimacy benefits, normative demands to address public goods issues were also conflicting with internal organizational objectives related to **efficiency**. In line with the logic of capitalist production, Shell’s profitability largely depends on the capacity to externalize the cost of production and negative externalities (e.g. oil spill remediation and compensation) and is at cross-purposes with normative demands to provide public goods or large-scale employment (e.g. GMoU) (Idemudia, 2010, p. 839). Thus, in an attempt to achieve parity between conflicting interests, the company’s interest was served most effectively by obtaining an acceptable *compromise* on competing goals and expectations. As illustrated above, the company seeks to pass on the costs for its negative externalities to local communities by negotiating scope and timing of compliance and sanctions for non-compliance (e.g. JIV), by minimizing the costs for its community development program (e.g. GMoU: Shell negotiates the scope of its development assistance with a focus on micro issues that are relevant to the company's core business and limits the geographical scope to 'host' communities), and by appeasing conflicting community members with controversial surveillance and clean up contracts and informal agreements to steal oil at prearranged times.

Shell is able to *compromise* on its normative promises since **legal enforcement** is low and all parties involved in the MSI – the government, affected communities, and civil society organizations – **depend** on Shell to monitor its own compliance (e.g. JIV) and provide socio-economic development (e.g. GMoU). In Nigeria "legislation is not enforced" (Initiative for Community Development, interview 13.07. 2011) and the oil industry remains largely self-regulated or even unregulated due to a lack of government capacity and will (Amnesty International, 2009b, p. 41). The weakness of the regulators relative to the oil companies has been documented by numerous actors, including the World Bank, UN agencies (UNDP, 2006; UNEP, 2011) and several reports (Friends of the Earth International & Amnesty International, 2013) (Ten Kate, 2010) and interviews with civil society organizations in 2011 and 2013. Amnesty International explains that when it comes to conducting site inspections (e.g. JIV), "government agencies are at the mercy of oil companies" (Amnesty International, 2009b, p. 46). The regulatory bodies, including the Nigerian National Oil Spill Detection and Response Agency (NOSDRA), have no independent means to initiate oil spill investigations. They are usually **dependent** on the company both to take staff to the site and to supply much of the data about spills (ibid). The government also lacks will to enforce compliance and impose sanctions as 95% of its export earnings and 80% of the government's revenue **depend** oil the oil sector (Center for Global Development) particularly on Shell as the country's largest oil and gas company (accounting for 40% of the country's oil production and 53% of Nigeria's hydrocarbon reserve base (Ite, 2007)). As a consequence "the whole economy is driven by oil exploration. That is the key thing. As a result of this Shell has a lot of political influence. Politics cannot move without money" (NIPRODEV, interview 29.09.2013). Furthermore, the government faces a conflict of interest as the mayor shareholder in the joint venture with Shell. Thus, the failure to enforce laws and regulations is related to the fact that the regulator is partner in, and major financial beneficiary of, the oil projects and would have to bear 55 percent of the additional cost associated with pollution regulation (Amnesty International, 2009b, p. 41; Bassey, 2008; Idemudia, 2010, p. 839).

Civil society organizations and affected communities also **depend** on Shell for several reasons. During the JIV affected communities lack the technical knowledge to determine the cause and volume of oil spilt (Amnesty International, 2009b) and they have a limited organizational capacity and information to engage in on going monitoring and enforcement activities (Africa Center for Corporate Responsibility, skype interview 13.08.2013). Furthermore, communities also depend on Shell for delivery of public goods since the government is unwilling and unable to do so due to the corrupt nature of the Federal Government. As a consequence, communities enter the Shell's 'bargaining game' since they know that this is the only way to get a share of the 'national oil cake' (Environmental Rights Action, interview 12.07.2011). A community relation officer explained in an interview

> "The Government is far away. Communities make direct claims to Shell to provide for their needs. Shell is the Government for them. […] "Many communities also have a higher awareness of these issues and want Shell to operate so that they can survive. […] Communities cannot survive without Shell's provision of socio-economic services, because the Government is not doing anything and thus they ask Shell to stay or come back" (NIDPRODEV, Skype interview 29.09.2013)

In sum, Shell is able to *compromise* on its commitments since it retains autonomy in decision-making processes of MSI such as the JIV and GMoU in particular. In other words, "Shell calls the shots" (Environmental Rights Action, interview 12.07.2011). For example, two independent academic investigations on Shell's GMoU confirmed that "Shell maintains an upper hand" (Environmental Rights Action, interview 12.07.2011) in which the company as the giver of funds for projects dictates the pace and terms of engagement (Dauda, 2012). For example, when signing the GMoU "there are three signatures to the accounts: community of twelve clusters that is strung together have one signature. The companies of Nigeria, in terms of the local government, have one signature. Shell - just a single entity: one signature. This explains to you the power correlations in this sector" (Environmental Rights Action, interview 12.07.2011).

4.4.1.3. Internal buffering strategies

Vignette 2. Voluntary reporting to illustrate institutional demands for collaborative engagement in MSI in the area of transparency and accountability

Shell started to acquiescence to political CSR demands for transparency and stakeholder engagement "to achieve practical and effective solutions, beneficial to all parties involved" (Royal Dutch Shell, 2015c, p. 4). For the company "collaboration is key: without it no true transparency is possible" (ibid). At the global level, Shell supports MSI such as EITI, the Voluntary Principles on Security and Human Rights (VP), the UN Global Compact (GC) and reports voluntarily to leading indices such as the KLD Research and Analytics' Global Climate 100 Index, the Dow Jones Sustainability Index, the FTSE4Good, the Carbon Disclosure Project, and Goldman Sachs GS SUSTAIN ESG (environmental, social and governance) that assess companies' economic, environmental and social performance on behalf of investors (Royal Dutch Shell, 2015f). At the local level in Nigeria, SPDC started in 2002 to publicly register oil spill data on its website (Ten Kate, 2010) and introduced a zero tolerance policy on corruption and bribery in line with the VP and Principle 10 of the UN GC (Royal Dutch Shell, 2015f).

However, interviews with affected community members, civil society organizations and leaked company documents reveals that the company attempts to preclude the necessity of total conformity by *concealing information* and *avoiding external inspection* and *meaningful participation and inclusive dialogue* (see table 8 for an overview). For example, Shell *conceals information* to affected communities and civil society at large about processes and issues that affect them such as "the scope, impact and duration of major projects" (WAC Global Services, 2003) and "about (a) to whom the company pays compensation; (b) the basis on which the amount is calculated; and (c) how individual or communal compensation is divided" (ibid). Also SPDC does not provide substantial information about impact of oil spills on the environment and human rights such as the Shell's oil spill contingency plan, the Niger Delta Environmental Survey, the Asset Integrity Review, and all information regarding the two 2008 Bodo spills; the JIV reports, any environmental impact assessments related to Shell oil infrastructure and operations in Bodo, Bureau Veritas' verification of the oil spill investigation system in 2011, the Environmental Evaluation Report and any post impact assessments (Amnesty International, 2009a, 2009b, 2011, 2012a, 2012b; Rwabizambuga, 2007)(NIPRODEV, skype interview 29.09.2013; Environmental Health and Safety Network, skype interview 04.11.2013). Shell is also blamed to *conceal information* during legal proceedings such as the 2008 court case in the Netherlands (Milieudefensie and Oruma, Goi and Ikot Ada Udo vs Shell), in the UK (Bodo oil spills), and the US (Ken Saro Wiwa). The NGO Mileudefensie bewails for example that "Shell has systematically delayed the case by placing procedural obstacles in the way and by withholding important documents" (Mileudefensie, 2012, p. 1). Shell is also criticized by its own consultants and civil society organizations for *concealing information* in its sustainability report. For example KPMG, the external auditing firm for Shell's sustainable performance in Nigeria, is "not able to assess whether these data reflect the performance of SPDC" (Shell Nigeria, 2002, p. 50) due to the company's "weakness in the control environment, and inaccuracies and incompleteness of data" (ibid.). Shell's external review team also bewails the provision of inaccurate and incomplete data so that they are unable to assess performance and impact on community well-being (Royal Dutch Shell, 2013), the company's greenhouse gas emissions (Royal Dutch Shell, 2010b, 2014b) and the past and future gas flare picture of SPDC (Royal Dutch Shell, 2014b). In the same line of thought Amnesty International notes that Shell does not "disclose any information on the environment and social impacts of the company's operations" (Amnesty International, 2009b).

Shell also buffers its core business by *avoiding external inspection* and thus effective monitoring or verification of baseline data. Since 2005 the company's sustainability report is not subject to external assurance for the accuracy of the information provided. Instead, Shell hires an External Review Committee of seven (independent) experts to check that its Sustainability Report is 'balanced, relevant and responsive to stakeholders'. One consequence is for example that "the exact proportion of oil spills in the Niger Delta caused by sabotage, as opposed to equipment failure or human error, cannot be determined" (Amnesty International, 2012b) and Shell is able to dramatically under-estimate the quantities involved. In the case of the Bodo oil spills for example "the difference is staggering: even using the lower end of the Accufacts estimate, the volume of oil spilt at Bodo was more than 60 times the volume Shell has repeatedly claimed leaked," said Audrey Gaughran, Director of Global Issues at Amnesty International (ibid).

Shell also tries to preclude the necessity of total conformity with normative demands for more transparency and accountability by excluding affected community members and critical civil society organizations (*avoiding meaningful participation and inclusive dialogue)* during multi-stakeholder processes that determine the baseline data for the company's sustainability reports. This allows the company to control and alter the information about organizational achievements and transgressions that are announced to the public. While Shell opened up to greater scrutiny by supporting observers from the national coalition on gas flaring and oil spills (NACGOND) during the JIV, one member NGO criticized that

> "Shell's efforts to involve civil society members into the oil spill investigation visit is still very dodgy. […] We wanted to see more transparency for how the joint investigation visits are carried out. We wanted to observers in these JIV process. After Shell has received a lot of pressures, especially from embassies, to do that and then we discovered that one, they were very selective in the number and type of JIV that they brought to our attention. In our opinion, any JIV that was caused by equipment failure, we were not told and they only invited us to JIVs that were obviously caused by sabotage. That is number one. Number two, they definitely used our participation to clean their image. It was a propaganda thing. And furthermore, we discovered that, even when people disagree on the cause of the spill it is very difficult for the community folks to follow up. In one of our follow up processes that was the case. So we decided to stop the collaboration." (Stakeholder Democracy Network, skype interview 16.04.2015)

Likewise, affected community members are *excluded* from meaningful participation. For example during the JIV of the Bodo oil spill on November, 7th in 2008 Shell "did not inform the king, the chiefs or the youth" (Kpoobari Patta, the President of the Bodo Youth Council in (Amnesty International, 2011) and "after the investigation, the community say that Shell claimed the JIV report was company property and that the community was not entitled to a copy" (ibid). The company's denial to provide due information to affected community members in other occasions was confirmed during several interviews (NIPRODEV, skype interview 29.09.2013; Civil Society Legislative

Advocacy Centre, interview 07.07.2011; Niger Delta Budget Monitoring Group, interview 13.07.2011; Integrated Ecosystem Management Project - Nigeria-Niger Joint Commission for Cooperation, interview 12.07.2011) and other civil society reports (Amnesty International, 2009b). In this sense, a community relation officer from one NGO that was implementing Shell's GMoU approach bewailed in an interview "Communities don't have right now enough access to relevant information and facts. So it is not transparent enough" (NIPRODEV, skype interview 29.09.2013). Shell also shields its multi-stakeholder community development initiative (GMoU) from public scrutiny by *excluding* opposing NGOs from meaningful participation and hiring contractor NGOs. One interviewee informed for example "The GMoU started in 2003, 2004, and 2005. It was never test-run. It was done in secrecy; NGOs opposing Shell were never invited and never part of this" (Environmental Rights Action, interview 12.07.2011). Also, Shell hires NGOs that "run like a consultancy" (Initiative for Community Development, interview 13.07. 2011) and are only accountable to Shell. One interviewee informed,

> "We call these 'Shell NGOs'. They just become contractors … they are beholden to Shell and not the communities. They want the Shell money. They will do the bidding for Shell, but definitely not for the community" (Stakeholder Democracy Network, skype interview 16.04.2015).

Civil society organizations and academics bewail that Shell's internal buffering strategy allows the company to control and even alter information about organizational achievements and transgressions that are announced to the public in its sustainability reports (e.g. claims about sabotage) (Amnesty International, 2009b, 2012b; Frynas, 2005; Pendleton et al., 2004; Ten Kate, 2010).

Table 8 Overview of internal buffering strategies

First order code	Representative quotes
Conceal information	• SPDC does not "provide substantial information about the scope, impact and duration of major projects" and "about (a) to whom the company pays compensation; (b) the basis on which the amount is calculated; and (c) how individual or communal compensation is divided" (WAC Global Services, 2003) • "Shell has systematically delayed the case by placing procedural obstacles in the way and by withholding important documents"(Mileudefensie, 2012, p. 1) • annual reports don't disclose any information on the environment and social impacts of the company's operations (Amnesty International, 2009b)
Avoid external inspection	• Since 2005 the company's sustainability report is not subject to external assurance for the accuracy of the information provided. Instead, Shell hires an External

	Review Committee of seven (independent) experts to check that its Sustainability Report is 'balanced, relevant and responsive to stakeholders'
Avoid meaningful participation & inclusive dialogue	• "Shell's efforts to involve civil society members into the oil spill investigation visit is still very dodgy. [...] In our opinion, any JIV that was caused by equipment failure, we were not told and they only invited us to JIVs that were obviously caused by sabotage. [...] So we decided to stop the collaboration." (Stakeholder Democracy Network, skype interview 16.04.2015) • "The GMoU started in 2003, 2004, and 2005. It was never test-run. It was done in secrecy; NGOs opposing Shell were never invited and never part of this" (Environmental Rights Action, interview 12.07.2011) • "We call these 'Shell NGOs'. They just become contractors ... they are beholden to Shell and not the communities. They want the Shell money. They will do the bidding for Shell, but definitely not for the community" (Stakeholder Democracy Network, skype interview 16.04.2015)

4.4.1.4. Determinants of Shell's internal buffering strategy

The company's *acquiescence to demands for transparency and stakeholder engagement* was essentially triggered by potent movements toward transparency, monitoring and accountability (Frynas, 2003, 2005)(Global Witness, skype interview 25.09.2014; Global Witness, skype interview 30.10.2014; Earth Rights International, skype interview 15.10.2014; PWYP International, skype interview 15.11.2014). These pressures were particularly strong in the extractive industry as it has long been at the epicenter of the resource curse[8]. A whole new institutional infrastructure emerged in this field resulting in self-regulating MSI such as the GRI and EITI and related efforts with the same emphasis such as the VP and the UN GC (**voluntary diffusion**). As a consequence, Shell strategically chose to participate in these MSI in anticipation of self-serving benefits such as increasing **legitimacy** and social support (Global Witness, skype interview 25.09.2014; Global Witness, skype interview 30.10.2014; Earth Rights International, skype interview 15.10.2014; PWYP International, skype interview 15.11.2014).

However, the company also tries to buffer its core business by *concealing information* and *avoiding external inspection* and *meaningful participation and inclusive dialogue* as increasing institutional demands for more transparency and public scrutiny are in conflict with the company's **legitimacy** and by extension **efficiency**. Belonging to the so-called controversial industry sector, Shell's core business operations present inherent

[8] The resource curse, also known as the paradox of plenty, refers to the paradox that countries rich in natural resources suffer from extreme poverty, economic neglect and corruption (Auty, 1993)

social and environmental risks and are blamed for distorting national economies and governance (Frynas, 2005). Thus, maintaining **legitimacy** becomes more challenging when Shell must report less attractive details or respond to criticism. All interviewees agreed that internal buffering allows avoiding judgements on negative impact of core business and/or the impact of social investment on community well-being. With regard to the former, Friends of the Earth Netherlands (Milieudefensie) said for example "the company's behavior shows that it is concealing information to avoid having to clean up its pollution and begin compensating the local communities" (Real World Radio). With regard to the latter, Shell's own Corporate External Relations manager, Mr. Precious Omuku, revealed that Shell's contribution towards social services and infrastructure in the region's development could be likened to drops in the Ocean when juxtaposed with what the company makes out of the region in term of profits (Ojakorotu, 2008, p. 110). Furthermore, Shell is in a powerful position to buffer its core business operations by taking advantage of the lack of **legal coercion** and the resulting lack of an external control environment for data accuracy. A community relation officer from one NGO that was implementing Shell's GMoU approach explained in an interview in 2013 that Shell increases its bargaining power and autonomy in decision making by retaining control over public scrutiny. He explains, "communities don't have right now enough access to relevant information and facts. So it is not transparent enough. Information is power. Shell could create more power" (NIPRODEV, skype interview 29.09.2013).

4.4.1.5. Effect on societal outcomes

While the company's symbolic implementation have provided the company with legitimacy and efficiency benefits, the company's compromise and internal buffering strategies had predominantly negative societal outcomes. Interviewees bewailed that Shell's compromise strategies – *negotiate terms of (non)compliance, address low-hanging fruits,* and *use policy of appeasement* – had a limited efficacy in addressing the negative impact of core operations and in bringing benefits and meaningful development to communities, but created additional negative externalities such as conflict over contracts and proper oil spill remediation. For example, Audrey Gaughran of Amnesty International explains that the JIV "is clearly a system open to abuse and we have evidence that it has been abused" (Friends of the Earth International & Amnesty

International, 2013). The lack of independent oversight and enforcement, representative inclusion, procedural fairness and transparency means that “it is effectively the company that investigates itself” (Friends of the Earth International & Amnesty International, 2013). Shell as the potentially liable party has substantial control over the process that determines not only the parameters for the company’s liability (e.g. the cause of the spill, the volume spilled, the area affected and the scale and extent of the resulting impact), but also access to remedy for affected communities (Amnesty International, 2012b, p. 7). According to own interviews with civil society organizations and scientific investigations there are strong indications that Shell has used false claims of sabotage to avoid compensation payments during both the non-judicial and juridical compensation processes (Amnesty International, 2009b, 2011, 2012b; Frynas, 2005; Ten Kate, 2010) (Environmental Rights Action, interview 12.07.2011; Niger Delta Budget Monitoring Group, interview 13.07.2011; Africa Center for Corporate Responsibility, skype interview 13.08.2013). As a consequence, Shell is able to pass on its operating costs to local communities which continue to suffer the negative impact of oil operations (Idemudia, 2010, p. 839). With regard to Shell’s new community development initiative (GMoU), there is a generalized sentiment among oil-affected communities and civil society organizations that Shell’s MSI is an unholy alliance of players – Shell, contract partners (e.g. GMoU-implementing NGOs, clean up companies) and the Nigerian state – against the oil-bearing communities rather than a partnership for meaningful community development (Stakeholder Democracy Network, skype interview 16.04.2015; African Network for Environment and Economic Justice, interview 05.07.2011)(Dauda, 2012; Idemudia, 2010, p. 839). In this sense, interviewees claim that Shell’s GMoU “appears as a CSR approach but in actual sense it is a community engagement model that seeks to keep the operating environment peaceful for effective exploration activities” (Environmental Health and Safety Network, skype interview 04.11.2013). Here “communities are often seen and treated as a ‘risk’ to be pacified, rather than as stakeholders with critical concerns about the impact of oil operations” (Africa Center for Corporate Responsibility, skype interview 13.08.2013). This risk-based approach is confirmed by other independent studies (Charles, 2014; Jacoba Schouten, 2010; WAC Global Services, 2003). An interviewee from PWYP Nigeria warns about the negative societal consequences of this corporate ‘disengagement’

> “That's disengagement; they don’t engage the communities properly in the first place! […] So for me, whatever do they think they are doing, without properly carrying the people along? It will continue to just go round in a vicious circle with no improvement for the affected communities” (Faith, PWYP)

Shell’s compromise strategies also create additional negative externalities such as conflict over contracts and no proper oil spill remediation. For example, investigations by Shell security consultants WAC Global (2003), Amnesty International (2005), the Financial Times (2006), Platform (2011, 2012), confidential communication of the US ambassador in Nigeria (2003) and interviews with civil society organizations (Social Action, interview 21.04.2010; Centre for Democracy and Development, interview 08.07.2011) agree that Shell has exacerbated conflict by awarding contracts to youth groups and paramilitaries responsible for or linked to human rights abuses in the Niger Delta. Furthermore,

“It is a known fact that a lot of Shell staff have their own companies: clean-up companies, surveillance companies, (and) Shell gives out these clean up contracts to individuals that have absolutely no clue, no expertise, no technical knowledge of what to do, and what to do well. And yet they give them these clean-up contracts. They should give these contracts to organizations with a recognized expertise and furthermore, the verification and monitoring should also be handled by independent organizations. We found situations whereby cleaned-up sites that have passed certification by Nigerian regulating agencies like NOSDRA were still found to be heavily polluted” (Stakeholder Democracy Network, skype interview 16.04.2015).

Shell’s internal buffering strategies – *conceal information, avoid external inspection, avoid meaningful participation and inclusive dialogue* – were also criticized for limiting the effectiveness for evaluating the impact of Shell’s political CSR initiatives (benefits and harm) on the public good. Thus, there is a generalized perception among the interviewees that Shell’s sustainability reporting serves rather corporate goals of increasing legitimacy rather than serving public ends such as helping to reduce corruption and increase accountability (Environmental Health and Safety Network, interview 13.07.2011; Africa Center for Corporate Responsibility, skype interview 13.08.2013; Stakeholder Democracy Network, skype interview 16.04.2015; Civil Society

Legislative Advocacy Centre, interview 07.07.2011). What is more, this lack of transparency has caused much distrust (Environmental Health and Safety Network, skype interview 04.11.2013) and even violent conflict (Charles, 2014).

4.4.2. Active contestation

4.4.2.1. Defiance

Vignette 3. Local and international regulatory requirements to illustrate institutional demands for addressing the company's negative impact on communities' health, security, and economic development

Shell publicly praises its asset integrity management to achieve "zero safety incidents (by securing) excellence in process safety management, asset design, operations and maintenance and inspection" (Royal Dutch Shell, 2014a) and publicly advocates the Voluntary Principles on Security and Human Rights (VPs) and the United Nations Global Compact's anti-bribery and corruption principle. In line with the principles, Shell has formalized a company-wide zero tolerance policy on corruption and bribery (Royal Dutch Shell, 2014b, p. 10) and includes de VPs into private and public security contracts (Royal Dutch Shell, 2015d). However, this study reveals failures of due diligence in the company's asset integrity management, and allegations of corruption and bribery and complicity in human rights abuses thus dismissing local regulatory requirements, Shell's own principles, and international standards (defiance) (see Table 9 for an overview).

Shell had to accept legal liability in two court proceedings in the UK (2011) and the Netherlands (2013) for *failures of due diligence in the company's asset integrity management.* For example, in the case of the two Bodo oil spills in the UK proceeding, Shell failed to comply with Nigerian regulations and appears to have disregarded repeated requests by NOSDRA to take action to avoid these operational oil spills. In the second case, the district court of The Hague found Shell's subsidiary Shell Petroleum Development Company of Nigeria (SPDC) guilty of neglecting its duty of care in that the company failed to take reasonable steps to stop a foreseeable sabotage from occurring on their crude oil wellhead (Standard, 2013). Also own interviews and reports by civil society organizations (Amnesty International, 2009b; 2011, p. 42), independent scientific investigations by academics (Steiner, 2010), international organizations (UNEP, 2011), and Shell's own consultants (WAC Global Services, 2003) criticized the company's unequivocal rejection of voluntary and mandatory regulations with regard to oil spill prevention and timely and proper cleaning up. For example, Professor Steiner concluded in a scientific report in 2010 that Shell Nigeria continues to operate well below internationally recognized standards to prevent and control pipeline oil spills. The company has not employed the best available technology and practices that it uses elsewhere in the world – a double standard (Steiner, 2010, p. 12). In the same line of thought the Ogoni fishing and farming communities accused Shell of applying different standards to clean-ups in Nigeria compared with the rest of the world. They claim for example that Trans-Niger Pipeline has suffered an incidence of operational oil spills between 2006 and 2010 at a rate 133 times greater than the European average (Leigh Day & Co., 2015). Also an US diplomatic cable from 2008, recently published by WikiLeaks, stated that a contractor with many years' experience of laying pipelines in the Niger Delta told the US consulate in Nigeria that "73 per cent of all pipelines are more than a decade overdue for replacement […] making it more vulnerable to intentional and unintentional damage from natural and human causes, spills occur daily, and it often takes man hours to find the location of the spill and deploy the necessary clean-up equipment" (US Embassy Lagos, 2008). The confidential telegram concludes that this "assessment of the current state of pipelines has been confirmed by other of our interlocutors" (ibid). With regard to Shell's integrity asset management, Amnesty International and CEHRD reveal that the company has still not accomplished the replacement and upgrading all ageing facilities as established by law and the results of the full Asset Integrity Review (which examined the condition of Shell's pipelines) have never been made public (Amnesty International, 2011, p. 35; 2012b). Shell also fails to employ adequate methodologies and practices for detecting oil leaks on time (Heinrich Böll Foundation Nigeria, interview 12.07.2011)(Leigh Day & Co., 2015), correctly estimating volume of oil spilt (Amnesty International, 2012b), and cleaning-up (Steiner, 2010, p. 12; UNEP, 2011; WAC Global Services, 2003)(Stakeholder Democracy Network, interview 16.04.2015) (PWYP Nigeria, interview 13.07.2011) were ineffective. For example, the UNEP report found that RENA, the primary method of oil remediation used by Shell on affected sites "failed to achieve either clean-up or legislative compliance […].

Ten out of 15 investigated sites which SPDC records show as having completed remediation, still have pollution exceeding the SPDC (and government) remediation closure values" (UNEP, 2011). Furthermore, the company has knowingly allowed contractors using unqualified staff to clean up oil spills (Amnesty International, 2009b) (Stakeholder Democracy Network, interview 16.04.2015), or failed to manage poor performance by community contractors (WAC Global Services, 2003)(Stakeholder Democracy Network, interview 16.04.2015). One interviewee from the Stakeholder Democracy Network explained "Shell gives out these clean up contracts to individuals that have absolutely no clue, no expertise, no technical knowledge of what to do, and what to do well. […] We found situations whereby cleaned-up sites that have passed certification by Nigerian regulating agencies like NOSDRA were still found to be heavily polluted" (Stakeholder Democracy Network, interview 16.04.2015). An internal company report confirms that these contractors are "not subject to same efficiency, transparency and accountability standards (which) is especially problematic as it sends a message of impunity to contractors leading to an entrenchment of poor practice and further problems for both the communities and the company" (WAC Global Services, 2003).

While Shell officially declares to "not tolerate the direct or indirect offer, payment, solicitation or acceptance of bribes in any form" (Royal Dutch Shell, 2014b, p. 10), the company faces allegations and legal persecution for *corruption and bribery* of the former Nigerian minister of oil and Minister of State for the Environment, Nigerian customs officials, and parliament members among others. For instance, with regard to Shell's illegal licensing payment to Nigeria's former oil minister Etete in 2011, the Nigerian House of Representatives voted in February 2014 on the recommendation of an investigation into the deal, for the deal's cancellation and criticized the deal for being contrary to the laws of Nigeria (*House of Representatives' votes and proceedings*, 2014; *Report by the ad-hoc committee on the transaction involving the federal government and Shell/Agip companies and Malabu Oil and Gas Limited in respect of the sale of oil bloc OPL 245*, 2014). In July 2013, a British High Court also ruled that Etete was indeed a beneficial owner of Malabu Oil & Gas and thus the recipient of Shell's illegal licensing payment (Lady Justice Gloster, 2013).

Shell is also alleged to *ignore* the VP's and The United Nations Framework for Business and Human Rights and be *complicit in human rights abuses* due to the company's ongoing support and reliance on military support. Civil society reports, own interviews with civil society organizations and leaked US embassy telegrams support allegations that Shell continuous to facilitate military and policy repression after agreeing to pay US$15.5 million to settle the Ken-Sawo Wiva lawsuit for alleged human rights abuses in 2009. For instance, leaked US embassy cables dating from 2003 to 2006 reveal that Shell continued to pay substantial amounts of money to the Nigerian army, navy and Mobile Police Force on a regular basis and provided transportation and accommodation for soldiers notorious for their record of human rights abuses (Consul General Brian L. Browne, 2006; Embassy Abuja, 2003a, 2003b; US Consulate Lagos, 2003). Investigations by the NGO Platform also confirmed "Shell, the largest operator in the region, continues to depend on military protection much like it did in the 1990s" (Platform, 2012a). The NGO alleged that "as recently as 29 November 2011, several demonstrators were reportedly shot and killed at a Shell facility in Uzere, Delta State, when government forces intervened at a protest against the company" (Platform, 2012a, p. 1). Also an activist from social action publicly denounced Shell's complicity in his unlawful detention and torment

> "I was captured right in this pit last Saturday by a team of Nigerian soldiers paid by tax payers money. Regained my freedom after 4 long hours detention in a SHELL facility in Rumuekpe, Rivers state and answering questions on phone from a superior military officer I didnot see. arrests, beatens, unlawful detentions......haba! should I still continue in the struggle?" (Akpobari, 2010)

Table 9 Overview of defiance strategies

First order code	Representative quotes
Failure of due diligence in asset integrity management	• Shell's failure to comply with Nigerian regulations regarding oil spills represents the true tragedy of the Bodo disaster (Amnesty International, 2011, p. 42) • In August 2011 a scientific assessment of the United Nations Environment Program criticized the company for its continuing failure to operate fully in accordance with local regulatory requirements, SPDC's own procedures and international best practices (UNEP, 2011) • Professor Steiner concluded in a scientific report in 2010 that Shell Nigeria continues to operate well below internationally recognized standards to prevent and control pipeline oil spills. It has not employed the best available technology and practices that it uses elsewhere in the world – a double standard (Steiner, 2010)

	• The Ogoni fishing and farming communities had accused Shell of applying different standards to clean-ups in Nigeria compared with the rest of the world. The Trans-Niger Pipeline has suffered an incidence of operational oil spills between 2006 and 2010 at a rate 133 times greater than the European average (Leigh Day & Co., 2015) • In 2006, Shell's former Head of environmental studies in Nigeria, Bopp van Dessel, claimed on the TV program World in Action that Shell was "not meeting their own standards; they were not meeting international standards. Any Shell site that I saw was polluted. Any terminal that I saw was polluted. It was clear to me that Shell was devastating the area" (Amnesty International, 2009b, p. 59). • US diplomatic cable from 2008, recently published by WikiLeaks, stated that a contractor with many years' experience of laying pipelines in the Niger Delta told the US consulate in Nigeria that "73 per cent of all pipelines are more than a decade overdue for replacement […] making it more vulnerable to intentional and unintentional damage from natural and human causes, spills occur daily, and it often takes man hours to find the location of the spill and deploy the necessary clean-up equipment" (US Embassy Lagos, 2008) • "In the mid-1990s, Shell established a program to replace and upgrade ageing facilities and pipelines, and improve the way the company operated and maintained facilities, and how it responded to spills. However, only a limited amount of work was done to fulfil this objective. Many pipelines were not in fact replaced. Instead, between 2003 and 2005, SPDC switched to a pipeline Integrity management system. This involves checking the condition of pipes and replacing them on the basis of their condition, rather than age. The results of the full Asset Integrity Review (which examined the condition of Shell's pipelines) have never been made public" (Amnesty International, 2011, p. 35) • An internal company report confirms that clean-up contractors are "not subject to same efficiency, transparency and accountability standards (which) is especially problematic as it sends a message of impunity to contractors leading to an entrenchment of poor practice and further problems for both the communities and the company" (WAC Global Services, 2003)
Engage in corruption and bribery	• With regard to Shell's illegal licensing payment to Nigeria's former oil minister Etete in 2011, the Nigerian House of Representatives voted in February 2014 on the recommendation of an investigation into the deal, for the deal's cancellation and criticized the deal for being contrary to the laws of Nigeria (*House of Representatives' votes and proceedings*, 2014; *Report by the ad-hoc committee on the transaction involving the federal government and Shell/Agip companies and Malabu Oil and Gas Limited in respect of the sale of oil bloc OPL 245*, 2014). In July 2013, a British High Court also ruled that Etete was indeed a beneficial owner of Malabu Oil & Gas and thus the recipient of Shell's licensing payment (Lady Justice Gloster, 2013) • Late 2010, Shell paid a total of USD 58 million to U.S. and Nigerian authorities to head off the threat of legal action for corruption. SNEPCO, a 100% Nigerian subsidiary of Royal Dutch Shell, had paid approximately USD 2 million in the period 2004-2006 to its subcontractors with the knowledge that some or all of the money would be paid as bribes to Nigerian customs officials to import materials and equipment into Nigeria in relation to the offshore Bonga project. SNEPCO and the U.S. based Shell International Exploration and Production Inc. employees were aware that as a result of the payment of the bribes, official Nigerian duties, taxes, and penalties were not paid when the items were imported. In November 2010, the U.S. Department of Justice and the U.S. Securities and Exchange Commission (SEC) announced that Shell had agreed to pay USD 48 million to settle investigations on violation of the U.S. Foreign Corrupt Practices Act (FCPA). The Deferred Prosecution Agreement Shell signed with the U.S. Department of Justice (DOJ) still requires Shell to report to the

	DOJ, promptly, any credible evidence of questionable or corrupt payments. Separately, Shell also agreed to pay USD 10 million to the Nigerian authorities (Ten Kate, 2010)
Complicit in human rights abuses	• “Shell, the largest operator in the region, continues to depend on military protection much like it did in the 1990s” (Platform, 2012a) • Shell's security manager confirmed that Shell is providing logistical assistance to the military deployed to the area in the form of food, staging areas and the use of non-military boats for troop and equipment movement” (US Consulate Lagos, 2003) • “Shell contacts informed us the company plans on buying several millions of dollar worth of vessels and equipment to provide to the GON military in order to enhance facility security” (Consul General Brian L. Browne, 2006) • "I was captured right in this pit last Saturday by a team of Nigerian soldiers paid by tax payers money. Regained my freedom after 4 long hours detention in a SHELL facility in Rumuekpe, Rivers state and answering questions on phone from a superior military officer I didnot see. arrests, beatens, unlawful detentions......haba! should I still continue in the struggle?" (Akpobari, 2010) • “As recently as 29 November 2011, several demonstrators were reportedly shot and killed at a Shell facility in Uzere, Delta State, when government forces intervened at a protest against the company” (Platform, 2012a, p. 1) • “Shell’s security spending in Nigeria is a colossal failure of due diligence. Instead of spending vast sums on harmful security practices, Shell should address the root causes of the conflict by cleaning up decades of oil spills, ending gas flaring, adequately compensating the victims of human rights abuses and insisting that government forces and other perpetrators are held accountable for violations.” (Platform, 2012a)

4.4.2.2. Determinants

Institutional demands for asset integrity and heightened duty to avoid human rights violations in conflict-zones like the Delta are in conflict with the unsustainable nature of the company’s core business (see Frynas, 2005) and the capitalist logic of profitability (**efficiency**) (Environmental Rights Action, interview 12.07.2011)(Idemudia, 2010, p. 839). In line with other interviewees, a member from ERA states “the case is very clear. Shell is interested in profit. They are not interested in putting an end to environmental pollution” (Environmental Rights Action, interview 12.07.2011). The anticipated economic loss from implementing a proper asset integrity management is higher than paying sanctions for non-compliance. For example, Amnesty International informs that financial penalties are too low to present meaningful deterrent. For example, the fine for failing to report an oil spill to NOSDRA is 500,00 Naira (approx. US$3,500) (see National Oil Spill Detection and Response Agency Establishment Act 2006) and the fine for failure to clean up the impacted site incurs a fine of one million Naira (approx. US$7,000) (Amnesty International, 2009b). Also, the anticipated economic gain from continuing to support military action is high. A leaked embassy conversation reveals that Shell consciously takes the risk of increasing conflict and becoming complicit in human rights abuses in order to end the profit loss:

> “The multiple missions of military personnel assigned to Shell sites could well result in Shell being tied to a major human rights incident if the military attempts to assert its control over communities dominated by militants, ironically Ijaws. The latest Shell strategy seems surprising in light of the relative improvement in Shell's corporate and social responsibility profile over recent years. Shell officials on the ground seem aware and accepting of the balance between gains and risks, especially the risk of renewed fighting" (Embassy Abuja, 2003b).

Furthermore, the temptation to *ignore* institutional values and norms is high for Shell since the potential for external enforcement by both **legal coercion** and **voluntary standards** is low. While legal coercion by home states (e.g. UK, the Netherlands) is posing increasing compliance pressure, successful court cases are rather the exception than the rule (Natural Resource Governance Institute, skype interview 04.12.2014). Also, international voluntary standards have no enforcement mechanism and the Nigerian government has no incentive to enforce environmental laws due to the collusion of business interests (Bassey, 2008; Idemudia, 2010, p. 839). Shell and the Nigerian state are united by a common purpose, that is, “capitalist expansionism and the appropriation of surplus value” (Omotola, 2006, p. 12 in Agbiboa, 2012).

Also the government **dependence** on oil revenues (Graf, 1988, p. 219; Ite, 2007) gives Shell enormous leverage in the regulatory system. “The whole economy is driven by oil exploration. That is the key thing. As a result of this Shell has a lot of political influence. Politics cannot move without money” (NIPRODEV, skype interview 29.09.2013). Other interviewees echo this sentiment: “the real decision-makers, those who are really operating, are the Shell Corporation. So that is clear for everyone to understand. They call the shots” (Environmental Rights Action, interview 12.07.2011). At the end, “it's all about environmental policy. You come up with good incentives, good contra-measures; […] But that is not happening, which is very unfortunate. That is not happening in Nigeria. There are a lot of power relations; there is a lot of power play in the business.

So I think that is the problem" (Heinrich Böll Foundation Nigeria, interview 12.07.2011). The lack of the Nigerian government's will and capacity also serves as a powerful excuse for non-compliance. Shell justifies his strategic choice of defying environmental laws by demonstrating organizational **dependency** on the government. As one Shell consultant explains "Shell cannot do it alone because it's a partnership. […] Everything they are going to change, it will cost them money. Both partners will have to bring money. If you have a partnership where you have a joint venture, if you are going to invest, both parties have to agree to invest. If you agree to have commensurate amount of money you are going to invest" (Initiative for Community Development, interview 13.07.2011). For example when confronted with criticism due to significant spills occurring after the asset integrity review and the initiation of the Pipeline Integrity Management system, SPDC's Country Chair Basis Omiyi blamed the underfunding by partners and the lack of security for the backlog of asset integrity work to reduce spills (Royal Dutch Shell, 2006; 2015e, p. 37).

4.4.2.3. Manipulation

Vignette 4. Mandatory initiatives such as the 2013 EU Accounting and Transparency Directive and the transposition into UK law, the US Cardin-Lugar amendment 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Nigerian Petroleum Industry Bill (PIB) to illustrate institutional demands for more transparency and accountability

Shell publicly supports voluntary multi-stakeholder transparency initiatives such as the EITI and mandatory tax regimes (Royal Dutch Shell, 2015c). Recently, many voluntary transparency initiatives such as the PWYP campaign and the MSI EITI have become institutionalized into laws and regulations to ensure corporate compliance and thereby making societal considerations unavoidable inputs into managerial decision-making. In Nigeria, a new petroleum industry reform bill (PIB) was proposed in 2007 to complement and enforce the Nigerian EITI by increasing the indigenous content, tackling environmental and air quality emissions, increasing transparency of government and associated participation in the sector and encouraging community development (Okoye, 2012). The Bill would also provide a greater share of oil revenues to the Federal

Government and oil producing communities (U.S. Embassy Abuja, 2009b) and require an end to gas flaring by 2010, which Shell won't be able to do said Pickard (then Shell's vice president for sub-Saharan Africa) in a confidential conversation with the US embassy in Abuja (U.S. Embassy Abuja, 2009b). Also complementary to the EITI, the US proposed in 2010 an amendment at Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act 2008 (known as 'The Cardin-Lugar Amendment') to increase disclosure requirements for extractive companies listed in the US. Although the process for hard law implementation stalled in the US, the European Union successfully passed similar laws under the EU Accounting and Transparency Directives[9] in 2013, with deadline for member state implementation in 2015.

While many civil society organizations support these new mandatory initiatives, Shell tries to alter these more stringent institutional demands for transparency and accountability by co-opting institutional constituents and influencing institutional belief systems (see Table 10 for an overview). Interviews with civil society organizations reveal that Shell tries to persuade or even establish control over institutional constituents that apply pressure on the organization by using bullying tactics, misrepresenting collaboration, offering lucrative economic incentives, seeking closed door negotiations, and building coalitions. For example, the company used informal meetings with opposing NGOs to *bully* participants and to advertise these information-sharing sessions as mutual consensus pretending to the public they are on board (PWYP US, skype interview 29.10.2014). With regard to the former, one interviewee from PWYP US exemplified "They tried to come in and pretend that it was like an information sharing session and then attempted to turn it into instead a do-or-die negotiation session where we've come to the table and if you don't negotiate with us now maybe we won't come to the table again. […] Multiple times there were these bullying tactics" (PWYP US, skype interview 29.10.2014). Shell also tried to intimidate Members of Parliament. One interviewee from Global Witness recalled the reaction of one Member of Parliament in Brussels "thank god you guys are here because yesterday Shell had a 130 people here'. Omg. There are 2 of us and there's a 130 of them. And they went around every single

[9] The European rule tracks Section 1504 of Dodd Frank but adds logging companies and large unlisted companies, whereas the US law covers only listed oil, gas and mining companies.

MEP trying to get them to vote against where the latest stage was" (Global Witness, skype interview 30.10.2014). Informants also frequently reported that the company used 'lift pitches' to get opposing NGOs on board (Global Witness, skype interviews 03.10.2014 and 16.12.2014; PWYP US, skype interview 29.10.2014). In this line of thought one interviewee bewailed "So they were very much wolves in sheep's clothing. [After the information-sharing session] They went on and actually told law makers or regulators in other countries and another jurisdictions that they were in negotiations with the NGO which is exactly not what they were doing at all so they manipulated that process to use it to their own advantage" (PWYP US, skype interview 29.10.2014). This *misrepresentation of collaboration with opposing NGOs* to demonstrate the organization's worthiness and acceptability to the public from whom it hopes to obtain approval was also confirmed by interviewees in Nigeria "they definitely used our participation to clean their image. It was a propaganda thing" (Stakeholder Democracy Network, Skype interview 16.04.2015).

Shell also tries to co-opt institutional constituents by offering host and home government officials an influential position as a senior manager or as temporary secondment. For example to influence the PIB in Nigeria, Ann Pickard (then Shell's vice president for sub-Saharan Africa) is quoted as telling U.S. diplomats that Shell had placed its employees throughout the Nigerian government and "consequently had access to everything that was being done in those ministries" (U.S. Embassy Abuja, 2009b). She explained that "we are working with the House and the House appears to want to work with us" (ibid). She continued that if the Senate passes the PIB, "we aren't worried" (ibid). When the Ambassador asked if Shell had had engagements with the government outside the National Assembly, such as with the Ministry of Finance and the Central Bank of Nigeria, Pickard said, "We are meeting with them at all levels"(US Consulate Lagos, 2008). Another confidential telegram from the Embassy in Den Hague confirms the existence of "an ongoing program in which a Dutch diplomat works at Shell's headquarters in The Hague and a UK diplomat works at Shell's London offices" (Embassy The Hague, 2009). While Shell's former vice president for sub-Saharan Africa Pickard and the Dutch ministers of Foreign Affairs and Economic Affairs don't see any conflict of interest related to the exchange of personnel by Shell and the Dutch government since it could help to build knowledge and get a better understanding of the sector, many civil society members criticize this revolving door practice. In this line of thought an informant states, ”for me, I always look from the outside that whoever goes into Shell - this is not even particular to him - whoever is in Shell and then left it finds it difficult to be independent from the operational policies and guidelines of SPDC, because it is sort of like you have been indoctrinated with SPDC's policies and all that. So to a great extent I don't think he is independent from the SPDC” (Environmental Health and Safety Network, interview 13.07.2011). He added that for example “the traditional leader from Nembe was from the Ministry of Petroleum, and then also worked through the rank and file in SPDC, then NNPC, then Minister for Petroleum. Or the Minister of Petroleum Mrs. Diezani Allison-Maduelke also worked previously for Shell” (ibid).

Shell also uses closed-door negotiations to improve conditions for persuasion and the re-evaluation of parties’ own interests. To accommodate the company’s interests in the PIB, Shell intervened by “bribing parliament members and paying them trips to conferences to Ghana and the US, in which the new regulatory framework governing investment in Nigeria was discussed, excluding any participation from civil society actors” (Revenue Watch Institute, interview 05.07.2011). As a result of the tussle three versions of the bill existed in 2011. They include the original 2008 Presidency submission, the final 2010 submission by the federal Inter-Agency Team (IAT); and the weakened 2011 Senate version (Sayne, 2011; Okoye, 2012). Many interviewees were scandalized

> “Shell reversed the PIB in that they submitted their own version as a new bill. This is not legal! We don't even know what suggestions the companies have made, in detail because it's not made public. […] We already know that they are lobbying the legislators; they will take the legislatures out for the workshop to abroad or to conferences and reach out to the legislators in subtle ways. They get consultants, they get media people, they sponsor articles in the newspaper to influence public opinion. Those are the strategies they use! The oil companies, they will not come out to say, "Well, this Bill should not be passed." No, they won't” (African Center for Leadership, Strategy and Development, interview 11.07.2011).

Another manipulation strategy is coalition building with like-minded business groups and industry bodies, contract experts (law firms) to signal that the company’s response deserves public support. In a confidential conversation Pickard revealed the company's network to influence the PIB. Apart from the IMF team headed by Charles McPherson she said that "she would also like to use the American embassy as a 'silver bullet' if the PIB passes the House" (U.S. Embassy Abuja, 2009b). "She said it would be helpful if the Embassy would continue to deliver low-level messages of concern. In particular, she thought it would be helpful for the Embassy to call on Speaker of the House Dimeji Bankoke to see where he stood on the bill" (ibid). In another confidential meeting with the US embassy, Ann Pickard added that "The IOCs will be asking U.S., Dutch and U.K. COMs to convey points on the bill to GON policymakers (and that) they will hire consultants, like McKinsey, to produce common themes so the messages from the IOCs to be shared with the relevant Ambassadors are clear and consistent" (U.S. Embassy Abuja, 2009a). A lawmaker who was a member of the three committees in the Senate handling the Bill confirmed to a Daily Trust reporter that they were put under intense pressure by the Presidency to accommodate some of the demands of the oil majors. "Our intention was to pass the bill as sent to us by the late President Umaru Musa Yar'adua, but these companies put us under intense pressure, they even got the American government to intervene on their behalf. Shortly after his return from the United States early this year when he was Acting President, Jonathan requested that the provisions of the bill be reviewed after which he asked the leadership of the two chambers to look at the issue of tax and reduce it to allow for 'investment' in the sector," he said (Hassan, 2010). At the global level, Shell also works with industry bodies, academics, lawyers and media to influence the passage of the Dodd-Frank Act and the EU Transparency Initiative. For instance one interviewee claims that "What we see with the oil companies in the US is that they hide behind the American Petroleum Institute which is the lobbying arm in the industry association of the oil sector (and) they enlist help from academics or other lawyers and crafting arguments against mandatory disclosure" (PWYP US, skype interview 29.10.2014). Another interviewee added "we've seen in the last three years memos drafted by corporate lawyers for some of the big companies claiming to prove that there were legal prohibitions on reporting in China and elsewhere. That's been a major strategy" (PWYP UK, skype interview 24.10.2014). For instance, law firms like Cravath, Swain & Moore LLP (API Submission 2011, ExxonMobil Submission 2011), Cleary Gottlieb Steen & Hamilton (Submission 2011), PriceWaterHouse Coopers LLP (Submission 2011) in the US, and Clifford Chance LLP (Memorandum to International Chamber of Commerce UK from Clifford Chance LLP Beijing 2013) in the UK, participated in proving the arguments of the corporations on legal grounds. Furthermore, law schools like the George Mason University participated in the consultation process for the Section 1504 (see George Mason University Submission, 2011) arguing for similar purposes as the API (PWYP US, skype interview 29.10.2014). The company also “got the Wall Street Journal, which is a very conservative, a very business friendly publication, to publish an editorial in which they described the section 1504 as a gift to Vladimir Putin” (Earth Rights International, skype interview 15.10.2014).

Shell’s manipulation strategy is also directed towards influencing institutionalized belief systems and norms, which define the criteria of desired or required corporate practices via legal action and playing timing, countries, and regulatory regimes one off each other. With regard to the former, Shell tries to influence political processes by taking *legal action* against mandatory regulations. In the US, legal action was directed against Section 1504 of the Dodd-Frank Act (API et al vs. SEC, March 2013). Shell is among those pushing to prevent the Securities and Exchange Commission from reintroducing tough disclosure requirements – a step that Global Witness interprets as "lobbying to weaken laws" on transparency (Eagleton, 2013). As a consequence many civil society organization are accusing Shell of hypocrisy (Global Witness, skype interview 30.10.2014; Global Witness, skype interview 25.09.2014). A senior specialist in the field of anti-corruption of the NGO Global Witness accused Shell accordingly “while Shell publicly advocates EITI standards to fight corruption, the company is supporting a lawsuit that would destroy U.S. legislation designed to strengthen the EITI standard” (Global Witness, skype interview 03.10.2014). Another interviewee added

> “They weren’t just interested in amending Dodd Frank 1504, they wanted to destroy it. They had no interest in going through it at all. They were quite open about that. The suing lawsuit that the API launched against the SEC after this rule was created was absolutely about destroying it, it wasn’t about amending it. It was about killing it all. That was the intention, but there were a number of arguments that Shell in particular pushed that were sort of adopted by the API in their lawsuit… the oil companies are still trying to undermine, under threat of lawsuit, and Shell is even threatening to sue the EU countries who implement

> the Accounting and Transparency Directives. They don't want to disclose project level disclosure (Global Witness, skype interview 30.10.2014)

To influence institutionalized belief systems Shell also tried to *play one off against the other and* promote voluntary MSI as an alternative – and potentially more effective – form of regulation to annul efforts for mandatory regulation. For instance, Shell frequently referred to the status quo, thus using voluntary initiatives to preempt mandatory laws and playing the rule making in the US and the EU off against another. With regard to the former a legal Advocacy Coordinator explained

> "Was EITI used as an excuse to not face mandatory regulation? The answer is absolutely yes! Certainly we heard that argument many times; it was used in official submissions by individual oil companies and by the API (American Petroleum Institute), which is their lobbying arm in the United States, as kind of an argument for why the rules… But as soon as section 1504 was passed they started coming out and saying oh! You know this is unnecessary or we don't need strong rules, we don't, you know the oil companies… we're working on it, you know. We are doing this, and the world is progressing through EITI and we don't, so therefore the law itself should not press as beyond our comfort zone. […] you know we have the EITI, many countries are signing up to EITI so there is no need to put us in a difficult situation (Earth Rights International, skype interview 15.10.2014)

He added that they are also "playing with timing and they are playing the two countries off each other" (ibid). When the oil companies realized that the EU directive was more stringent, they started to lobby again the SEC "in hopes that a weak U.S. rule will lead the European countries to create a weaker process" (ibid.) (see also Joint comment letter by Exxon and Shell, 2014).

Shell also tries to alter these directives by showing that they are not 'rational' (*appeal to rationality of action)* and that their own behavior on the issue at stake is above reproach. This psychological framing aims to influence public perception to neutralize opposition's arguments and thus reduce political support for regulatory change. For example, "an argument they make is that mandatory disclosure will hurt their bottom line and it'll make them less competitive with other companies. Internationally or less competitive with national oil companies…" (PWYP US, skype interview 29.10.2014) (see also API Comment Letter, 2011). Another interviewee reported, "They've said that even institutional investors and shareholders will be swamped by the data and won't be able to make sense of it" (PWYP UK, skype interview 24.10.2014). A legal advisor of Earth Rights International asserts that Shell and other big oil companies hired legal and scientific experts to support their arguments and even "put forward their proposal publically; a proposal of what they thought maybe reporting should look like" (Earth Rights International, skype interview 15.10.2014). In other words, Shell reinforces his opposition to the new transparency laws with demonstrations of organizational rationality to obtain public approval and hence legitimize its actions. The presented arguments depended on the targeted audience and location. "So when they present their arguments it can depend on the location" (PWYP US, skype interview 29.10.2014) "and the audience" (Earth Rights International, skype interview 15.10.2014). For example, "the legal arguments which honestly did not surface until the lawsuit began, and it was not something that had been part of their public redirect and still isn't really part of the public redirect" (ibid). Many interviewees criticized that these arguments were not substantive (Earth Rights International, skype interview 15.10.2014; PWYP US, skype interview 29.10.2014; PWYP UK, skype interview 24.10.2015), but recognized that they became performative over time

> "Normally, it is not followed with any substantive evidence, it's usually just their same arguments repeated over and over again with the intention that if they repeat them enough times they are going to somehow become factual. That appears to be the strategy, to be honest" (PWYP US, skype interview 29.10.2014).

Table 10 Overview of manipulation strategies

First order code	Representative quotes
Bully opposing NGOs or MPs	• "They tried to come in and pretend that it was like an information sharing session and then attempted to turn it into instead a do-or-die negotiation session where we've come to the table and if you don't negotiate with us now maybe we won't come to the table again […] Essentially, we went to a room where they flew in a lot of people from different locations. It was all very impressive display. They previously had their opportunity to give their perspective and their arguments and so we were utilizing this as an opportunity to give our perspectives and our arguments. Not even two minutes going into the introduction, one of them rudely interrupts the person speaking and was like 'why are we here, what are we doing, I just don't want this to be focused on X, I want it to be focused on Y' and then we tried to carry on with the agenda and multiple times there were these bullying tactics that were being done" (PWYP US, skype interview 29.10.2014)

	• "We thought we were going to negotiate, we were willing to compromise but you guys are just not willing to compromise" (PWYP US, skype interview 29.10.2014) • "You are in the same room and then you might go into the lift and they might stop you and say 'hey, why don't we come to a nice, friendly agreement. What would you really want? What would you be willing to give?'" (Global Witness, skype interview 16.12.2014) • "One of the parliamentarians said, 'thank god you guys are here because yesterday Shell had a 130 people here'. Omg. There are 2 of us and there's a 130 of them. And they went around every single MEP trying to get them to vote against where the latest stage was" (Global Witness, skype interview 30.10.2014)
Misrepresent collaboration with opposing NGOs	• "They went on and actually told law makers or regulators in other countries and another jurisdictions that they were in negotiations with the NGO which is exactly not what they were doing at all so they manipulated that process to use it to their own advantage." "So they were very much wolves in sheep's clothing" (PWYP US, skype interview 29.10.2014) • "They definitely used our participation to clean their image. It was a propaganda thing" (Stakeholder Democracy Network, Skype interview 16.04.2015)
Offer lucrative jobs to government officials (revolving door)	• Ann Pickard (then Shell's vice president for sub-Saharan Africa) is quoted as telling U.S. diplomats that "the GON had forgotten that Shell had seconded people to all the relevant ministries and that Shell consequently had access to everything that was being done in those ministries" (U.S. Embassy Abuja, 2009b) • Following the disclosure of this cable, she clarified that Shell has a total of 11 staff seconded to the Nigerian government, mainly technical specialists, which is usual in the oil industry (Ten Kate, 2010) • "Pickard routinely meets with the oil, gas, and defense ministers as well as top military leaders and senior advisors to the President."(US Consulate Lagos, 2008) • "For me, I always look from the outside that whoever goes into Shell - this is not even particular to him - whoever is in Shell and then left it finds it difficult to be independent from the operational policies and guidelines of SPDC, because it is sort of like you have been indoctrinated with SPDC's policies and all that. So to a great extent I don't think he is independent from the SPDC" (Environmental Health and Safety Network, interview 13.07.2011)
Seek closed-door negotiations	• To accommodate the company's interests in the PIB, Shell intervened by "bribing parliament members and paying them trips to conferences to Ghana and the US, in which the new regulatory framework governing investment in Nigeria was discussed, excluding any participation from civil society actors" (Revenue Watch Institute, interview 05.07.2011) • "Shell reversed the PIB in that they submitted their own version as a new bill. This is not legal! We don't even know what suggestions the companies have made, in detail because it's not made public. […] We already know that they are lobbying the legislators; they will take the legislatures out for the workshop to abroad or to conferences and reach out to the legislators in subtle ways. They get consultants, they get media people, they sponsor articles in the newspaper to influence public opinion. Those are the strategies they use! The oil companies, they will not come out to say, "Well, this Bill should not be passed." No, they won't" (African Center for Leadership, Strategy and Development, interview 11.07.2011)
Build coalitions	• "she would also like to use the American embassy as a 'silver bullet' if the PIB passes the House" (U.S. Embassy Abuja, 2009b). "She said it would be helpful if the Embassy would continue to deliver low-level messages of concern. In

	particular, she thought it would be helpful for the Embassy to call on Speaker of the House Dimeji Bankoke to see where he stood on the bill" (ibid) • "What we see with the oil companies in the US is that they hide behind the American Petroleum Institute which is the lobbying arm in the industry association of the oil sector (and) they enlist help from academics or other lawyers and crafting arguments against mandatory disclosure" (PWYP US, skype interview 29.10.2014) • "We've seen in the last three years memos drafted by corporate lawyers for some of the big companies claiming to prove that there were legal prohibitions on reporting in China and elsewhere. That's been a major strategy" (PWYP UK, skype interview 24.10.2014) • "They got the Wall Street Journal, which is a very conservative, a very business friendly publication, to publish an editorial in which they described the section 1504 as a gift to Vladimir Putin" (Earth Rights International, skype interview 15.10.2014)
Seek legal action	• "For all of these reasons we respectfully submit this rule should be vacated, and again, we urge the Court that we have sought expedition, and we believe that's a reason that jurisdiction belongs here, but at minimum we believe it's a reason that …would be valuable to all concerned for the Court to address this as its schedule permits" (API et al vs. SEC, March 2013)) • "They weren't just interested in amending Dodd Frank 1504, they wanted to destroy it. They had no interest in going through it at all. They were quite open about that. The suing lawsuit that the API launched against the SEC after this rule was created was absolutely about destroying it, it wasn't about amending it. It was about killing it all. That was the intention, but there were a number of arguments that Shell in particular pushed that were sort of adopted by the API in their lawsuit… the oil companies are still trying to undermine, under threat of lawsuit, and Shell is even threatening to sue the EU countries who implement the Accounting and Transparency Directives. They don't want to disclose project level disclosure (Global Witness, skype interview 30.10.2014)
Play one off against the other	• "Was EITI used as an excuse to not face mandatory regulation? The answer is absolutely yes! " (Earth Rights International, skype interview 15.10.2014) • "They are playing with timing and they are playing the two countries off each other" (Earth Rights International, skype interview 15.10.2014) • "Normally, it is not followed with any substantive evidence, it's usually just their same arguments repeated over and over again with the intention that if they repeat them enough times they are going to somehow become factual. That appears to be the strategy, to be honest" (PWYP US, skype interview 29.10.2014)
Appeal to rationality of action	• "An argument they make is that mandatory disclosure will hurt their bottom line and it'll make them less competitive with other companies. Internationally or less competitive with national oil companies…" (PWYP US, skype interview 29.10.2014) • "If the rules under Section 13(q) require public disclosure of unnecessarily detailed information, such disclosure will provide competitors, specifically foreign government owned companies, not covered by section 13(q) with sensitive commercial information and place covered U.S. companies at a competitive disadvantage" (API Comment Letter, 2011) • "They've said that even institutional investors and shareholders will be swamped by the data and won't be able to make sense of it" (PWYP UK, skype interview 24.10.2014) • "The cost-benefit analysis fails to show any benefits to investors, the market place or capital formation" (US Chamber of Commerce, 2010) • "Don't hamper us with too many regulations and rules because you'll prevent us from creating wealth for society" (PWYP UK, skype interview 24.10.2014)

	• "They pay their PR people a lot money, they pay millions of dollars to get very subtle and effective arguments and so how to they tailor those arguments for different audiences, and different times and how do they adapt over time as the landscape changes" (Earth Rights International, skype interview 15.10.2014)

4.4.2.4. Determinants

Shell's strategic response to institutional demands become more aggressive and coordinated with the headquarters and other like-minded groups, the more the issue matures and convergent pressures emerge in form of more stringent regulations. In other words, a 'battle for control' (Burgis, 2009) erupted. As rationalizing trends in society such as the increasing emphases on accountability and transparency and the demand to address public good issues such as climate change, human rights, and delivery of socio-economic services, become more pervasive and institutionalized into mandatory measures, Shell faces increasing conflict with the economic and technical standards against which its performance is primarily assessed by its shareholders (**efficiency**). For example in 2008, when the PIB was first drafted, the Financial Times ran a headline that simply stated that 'oil groups fear Nigeria's reforms could cost them billions in profit', "highlighting the continued emphasis on the single bottom line, profits" (Green, 2008 in Goldman, 2011). Indeed the change of regulation of such a cornerstone of the economy is fundamental and contentious as it proposes a greater share of oil revenues to the Federal Government and oil producing communities (U.S. Embassy Abuja, 2009b) and it aims tackling environmental and air quality emissions, increasing transparency of government and associated participation in the sector (linked to EITI) and encouraging community development (Okoye, 2012).

Furthermore, a shift from voluntary to mandatory regulation in the area of revenue transparency presents a loss in decision-making discretion (**autonomy)** and the weakening or even annulation of previous pacifying, bargaining and internal buffering strategies (due to potentially higher **legal coercion** and sanctions in Nigeria) (Centre for Democracy and Development, interview 08.07.2011; Global Witness, skype interview 25.09.2014; Natural Resource Governance Institute, skype interview 04.12.2014; Open Oil, skype interview 15.11.2014; PWYP International, skype interview 28.11.2014). For example, Dominic Eagleton from Global Witness emphasized that Section 1504 of the

Dodd-Frank Act forces companies to publish the kind of payments made by Shell and Eni in Nigeria on a project-by-project basis. “Deals like this would have been incredibly difficult to execute had there been strong transparency laws requiring the disclosure of payments by extractive companies to governments (Global Witness, 2013). He adds, “without this 'sunshine' on natural resource deals, business will continue to be conducted in an opaque environment that enables payments to end up in the wrong hands” (Eagleton, 2013). Also, the PIB’s demands for more transparency, tackling environmental and air quality emissions (such as put an end to gas flaring) and a greater share of oil revenues to the Federal Government and oil producing communities (U.S. Embassy Abuja, 2009b) jeopardize the company’s current powerful position due to associated losses of the company’s **autonomy** and **profits**. While other oil companies pursue similar strategies and work in partnerships with Shell, Shell has been described as the most active company as it has most to lose or “most to hide” as of one interviewee from Global Witness (skype interview 30.10.2014) asserted. For example, a leaked US embassy cable reveals that even though

> “Shell’s views of the PIB and the alignment among the IOCs and with the Nigerian oil companies track closely with the views of ExxonMobil, […] Shell is much more vulnerable than the other IOCs because its operations are concentrated in less favorable JV concessions that are located in the violence-prone Niger Delta. […]. In the event that the PIB retains negative terms or violence returns to the Delta, Shell can be expected to hurt the most and cry the loudest” (U.S. Embassy Abuja, 2009b).

4.4.2.5. Effect on societal outcomes

Shell’s active contestation of institutional demands has significant negative societal outcomes. Audrey Gaughran, Amnesty, International’s Head of Business and Human Rights, describes for example the impacts of oil spills on communities as follows:

“People living in the Niger Delta have to drink, cook with and wash in polluted water. They eat fish contaminated with oil and other toxins – if they are lucky enough to be able to still find fish. The land they farm on is being destroyed. After oil spills the air they breathe smells of oil, gas and other pollutants. People complain of breathing problems and skin lesions – and yet neither the government nor the oil companies monitor the human impacts of oil pollution” (Ten Kate, 2010).

Shell's defiance and even manipulation of institutional demands for more transparency have also a dampening effect on any efforts to achieve social and economic development. Simon Taylor asserts for example with regard to Shell‘s involvement in a billion dollar corruption scandal in Nigeria: "Such shady deals expose investors to risks they do not know about, entrench corruption and rob people in countries like Nigeria of money they badly need for things like schools and hospitals" (Taylor, 2015). He adds "regardless of who paid what to whom, there is one clear loser in the whole affair: the Nigerian public. The money should have ended up in state coffers, where it is badly needed – the amount in question is equivalent to two thirds of the Nigerian healthcare budget" (ibid).

Shell's defiance of best practices and international standards with regard to security spending is also criticized for leading to a culture of violence and systematic human rights violations (Amnesty International, 2009b; Amunwa, 2012; Amunwa & Brown, 2013; Amunwa & Minio, 2011; Consul General Brian L. Browne, 2006; Platform, 2012a). Leaked information from Shell's security department to Platform disclose that between 2007 and 2009 Shell spent at least US$383 million on security in Nigeria (40% of Shell's total expenditure on security) (Platform, 2012a). Investigations by Platform reveal that during the period, Shell's security spending fueled conflict and enabled systematic human rights abuses by government forces and armed militants in Uzere (2011), Gbaramatu (2009), Rumuekpe (2005-2008), Joinkrama (2007-2010), Oru Sangama (2004), Dere (2009-2010), Odioma (2005), and Warri (2003) (ibid). Platform's researcher Ben Amunwa summed up:

> "Apart from its enormous size, what is striking about Shell's security spending is how little security it actually created. Shell paid many millions of dollars to government forces with a track record for corruption and creating instability across Nigeria. Shell appear to have spent even larger sums on pacifying militant groups, a practice that has worsened the violence. While primary responsibility for human rights abuses lies with the Nigerian government and other perpetrators, Shell bears a heavy responsibility for the devastating social impacts of its security spending" (Platform, 2012a).

Table 11 Analytic structure exemplified for corporate response determinants I: Rationale

Second order constructs	First order code	Representative quotes
Efficiency	Externalize negative externalities	• Normative demands to address public goods issues were also conflicting with internal organizational objectives related to efficiency. In line with the logic of capitalist production, Shell's profitability largely depends on the capacity to externalize the cost of production and negative externalities (e.g. oil spill remediation and compensation) and is at cross-purposes with normative demands to provide public goods or large-scale employment (e.g. GMoU) (Idemudia, 2010, p. 839) • "One case in point is the oil spill incident at Ogoniland in the Ogoni communities. I have been to that site myself just in the last few weeks. Shell claim that they have cleaned up the spill, but as we speak the spill is evident. So the use of deceit, lies has been the modus operandi; has been the means by which Shell claims they cleaned the environment - and not really by engaging with their mess that they have created" (Environmental Rights Action, interview 12.07.2011) • But they will tell you all kinds of problems: "This is a swampy area; it's difficult to clean up…Yeah, because the vegetation is this; it's a swampy in this area; it's difficult to go in there because of the militant…" You know, these are justifications - well, febrile points as far as I'm concerned. It has no serious reasoning in not cleaning the whole thing. And even if they claim that because of the vegetation, and the swampy area, when you go into the lagoon, where you see pure, real oil spills, they have not done anything either" (Heinrich Böll Foundation Nigeria, interview 12.07.2011)
	Risk management	• "The multiple missions of military personnel assigned to Shell sites could well result in Shell being tied to a major human rights incident if the military attempts to assert its control over communities dominated by militants, ironically Ijaws. The latest Shell strategy seems surprising in light of the relative improvement in Shell's corporate and social responsibility profile over recent years. Shell officials on the ground seem aware and accepting of the balance between gains and risks, especially the risk of renewed fighting" (Embassy Abuja, 2003b) • "This thinking is even formalized in a 'Risk & Internal Control Policy', which means that the Shell Group has a risk-based approach to internal control and that management in the Group is responsible for implementing, operating and monitoring the system of internal control, which is designed to provide reasonable but not absolute assurance of achieving business objectives (Shell annual report, 2004)" (Jacoba Schouten, 2010, p. 91) • "appears as a CSR approach but in actual sense, it is a community engagement model that seeks to keep the operating environment peaceful for effective exploration activities" (Environmental Health and Safety Network, interview 13.07.2011) • "Crisis management. They were not really keen about the impact of development. They were only looking for how to make sure profits. […] they are not doing it because they are genuinely committed to that dialogue. They are doing it just for business purposes. So when you understand it from that context, you understand that there is no genuine intention to improve the situation for the community" (African Network for Environment and Economic Justice, interview 05.07.2011)

		• “They realized that that (unilateral approach) was not very successful so they've now adopted this participatory - getting partnerships from people. Because they are not - you know, most of civil society in the region are skeptical about Shell; that the purpose of Shell doing this is not genuine; that Shell is only doing it to buy time for peace, so that they can get to do their business. They are not genuinely committed to helping to see a genuine development in the region. So there is skepticism” (African Network for Environment and Economic Justice, interview 05.07.2011)
	Dominance of economic bottom line	• “they believe in short cause” (Civil Society Legislative Advocacy Centre, interview 07.07.2011) • “Shell is also majorly responsible because Shell would generally - there was no attempt for Shell to see the need to work towards having a government transparent system in Nigeria because obviously they understand the implication that once government is able to enforce a regulatory system, it also hits deeply into their profits, their bottom line. So it is a win/win for Shell to see a weak government, as a matter of fact - and that they took advantage of very strongly” (African Network for Environment and Economic Justice, interview 05.07.2011) • “They will do that [contribute to public good] in as much as it doesn't affect their business. That's why they subscribe to the voluntary; anything that will have to impact on their profit, they will not want to support it. They would rather leave it at the voluntary level” (African Network for Environment and Economic Justice, interview 05.07.2011) • “They are interested in profit. They are not interested in putting an end to gas flaring. So they are interested in monetizing the solutions through market -based mechanisms” (Environmental Rights Action, interview 12.07.2011) • “They want to see how they can continue to operate in Nigeria. And to do that, they should be also seen to be addressing the issues, otherwise it will reduce their license to operate in the region. It will affect their business. And even internationally they will not be able to invest; investors will not be able to invest their share. So they see it that, if they are in peace with the community, they will be able to operate; then you have credibility, and the cost of accessing finance in Nigeria will reduce the risk of buying Shell shares would also increase. The shareholders will also be happy with the management of Shell. So it's a win/win for Shell to be seen to be doing an engagement in corporate social responsibility” (African Network for Environment and Economic Justice, interview 05.07.2011) • “They've said that even institutional investors and shareholders will be swamped by the data and won't be able to make sense of it” (PWYP, skype interview 24.10.2014) • “The cost-benefit analysis fails to show any benefits to investors, the market place or capital formation” US Chamber of Commerce 2010 • “I mean number one were they said you are going to put us at a competitive disadvantage. If we have to reveal our payments and other companies don’t then many governments will prefer not to do business with us or our competitors will use this information to outbid us for lucrative contracts” (Earth Rights International, skype interview 15.10.2014) • “If the rules under Section 13(q) require public disclosure of unnecessarily detailed information, such disclosure will provide competitors, specifically foreign government owned companies, not covered by section 13(q) with sensitive commercial information and place covered U.S. companies at a competitive disadvantage” API Comment Letter, 2011

		• "An argument they make is that mandatory disclosure will hurt their bottom line and it'll make them less competitive with other companies. Internationally or less competitive with national oil companies…" (PWYP US, skype interview 29.10.2014)
	Conflicting demands	• "Shell is not a business for charity. They are in business for profit" (African Network for Environment and Economic Justice, interview 05.07.2011) • "Shell oftentimes says that it is not their responsibility to do some of the things that the community has requested from them. Like the community wants them to come and build roads, bring electricity. That is a basic function of the state" (African Network for Environment and Economic Justice, interview 05.07.2011) • "If government takes back the responsibility and says, "Shell, leave the community development domain," Shell would not be able to do that because they ride on the wings of corporate social responsibility to get access to the oil. Oil, as we speak, is being drilled behind military shield. So corporate social responsibility becomes a leverage; an entrance; a means of entrance into the communities, to drill oil" (Environmental Rights Action, interview 12.07.2011) • "Well, my view is that - and this is a general view in any case - that corporate social responsibility is something imposed on companies. It is not a voluntary choice they make - except in the context when now there is an excepted norm, they feel it improves their public relations when they engage in activities that are considered part of corporate social responsibility. So I don't believe for companies they get out of their mind frame of the profiteer motive. Companies don't exist to be good guys; they exist to make money - and that is how they have operated" (Centre for Democracy and Development, interview 08.07.2011) • So we really need to go back even to that level, to look at what is the role of the councilor; what is the role of the local government, so that the community will not take the role of local government and dump it on Shell" (PWYP Nigeria, interview 13.07.2011)
Legitimacy	Controversial industry sector (Nature of industry sector)	• "Oil operations pose a threat to the environment at each stage of the supply chain - exploration, production, transportation and refining" (Frynas, 2005) • "Oil operations also have adverse social effects on the local communities in oil-producing areas. In the most extreme cases in the developing world, establishment of oil infrastructure may deprive the local people of any means of subsistence" (Frynas, 2005) • "The oil industry has been blamed for distorting national economies and governance. Many oil-producing states in the developing world have suffered from the phenomenon known as the 'resource curse'" (Frynas, 2005) • The company faced increasing criticism from all sides: consumer boycotts in Europe and North America, shareholder activism through formal resolutions in Europe, increasing levels of community disruption in the Niger Delta, falling share prices and hemorrhaging staff (Pendleton et al., 2004)
	Public interest (Nature of claims)	• "Don't hamper us with too many regulations and rules because you'll prevent us from creating wealth for society" (PWYP UK, skype interview 24.10.2014) • The Commission may provide exemptions from the Exchange Act's requirements when consistent "with the public interest or the protection of investors." (cite) • "Legitimacy? Income, receipts for the government; and that kind of allowance allowed them to continue here. That is the legitimacy. Beyond that, there is none whatsoever." (Environmental Rights Action, interview 12.07.2011)

Autonomy / Loss of decision-making discretion	Opacity	• Section 1504 of the Dodd-Frank Act forces companies to publish the kind of payments made by Shell and Eni in Nigeria on a project-by-project basis. "Deals like this would have been incredibly difficult to execute had there been strong transparency laws requiring the disclosure of payments by extractive companies to governments (Global Witness, 2013) • "Without this 'sunshine' on natural resource deals, business will continue to be conducted in an opaque environment that enables payments to end up in the wrong hands" (Eagleton, 2013)
	Control	• "They want to have control. They are very concerned. That's why they try to influence legislation that is - at the national assembly. Even they also inflated it, as to what they have done. They do all this because anything that will have to do with to build a profit, they want to stop it. That's why they want to get the control of the government." (African Network for Environment and Economic Justice, interview 05.07.2011) • A Senior Program Advisor for the Africa Governance Monitoring and Advocacy Project claimed that oil companies have the political power to "actively pressure the government regarding such things as tax laws" (Manby, 1999, p. 283) • "Shell remains the major operator of the oil and gas ventures in Nigeria. It is true that government controls the major shares but it is in terms of profit, in terms of investment. But the real decision-makers, those who are really operating, are the Shell Corporation. So that is clear for everyone to understand. They call the shots. They make sure that they have got the information where there are priorities" (Environmental Rights Action, interview 12.07.2011) • Two independent academic investigations on Shell's GMoU confirmed that "indeed, when it comes to this conflict of interest, Shell maintains an upper hand" (Environmental Rights Action, interview 12.07.2011) in which the company as the giver of funds for projects dictates the pace and terms of engagement (Dauda, 2012). For example, when signing the GMoU "there are three signatures to the accounts: community of twelve clusters that is strung together have one signature. The companies of Nigeria, in terms of the local government, have one signature. Shell - just a single entity: one signature. This explains to you the power correlations in this sector" (Environmental Rights Action, interview 12.07.2011). As a consequence "the thinking by many oil communities and some NGOs is that the GMoU system of CSR conveys a sense of an unequal partnership (in which) oil companies micro-manage what should ordinarily have been the responsibility of the oil communities" (Dauda, 2012) • Shell has most to lose or "most to hide" (Global Witness, skype interview 30.10.2014) • "Shell's views of the PIB and the alignment among the IOCs and with the Nigerian oil companies track closely with the views of ExxonMobil, […] Shell is much more vulnerable than the other IOCs because its operations are concentrated in less favorable JV concessions that are located in the violence-prone Niger Delta. […] . In the event that the PIB retains negative terms or violence returns to the Delta, Shell can be expected to hurt the most and cry the loudest" (U.S. Embassy Abuja, 2009b) • "Communities don't have right now enough access to relevant information and facts. So it is not transparent enough. Information is power. Shell could create more power" (NIPRODEV, skype interview 29.09.2013)

Table 12 Analytic structure exemplified for corporate response determinants II: Power relations

Second order constructs	First order code	Representative quotes
Legal coercion	Legal proceedings	• "Legislation is not enforced" (Initiative for Community Development, interview 13.07. 2011) • "because the laws are so poorly enforced, in reality the oil industry remains largely self-regulated or, frequently, unregulated" (Amnesty International, 2009b, p. 41) • Shell did not fully implement Federal High Court of Nigeria ruling (on 14.11.2005) to stop gas flaring in the Iwerekan community in the Delta State. Jonah Gbembre's legal representatives (Environmental Rights Action/Friends of the Earth Nigeria & Climate Justice Program) discovered that Shell and NNPC had not fulfilled the conditions attached to the court ruling (stop gas-flaring activities in Nigeria by 30.4.2007 and a detailed plan of action on how to stop gas flaring), the judge had been transferred to another court district, the court file had disappeared, and SPDC obtained a further stay of the court order with no conditions attached. Gbemre bewailed "we use standard avenues (but) the multinationals make the rules. They do a lot of advocacy. Within the joint venture they hide and seek" (Amnesty International, 2009b, p. 78) • On January 30th in 2013, the district court found Shell's subsidiary Shell Petroleum Development Company of Nigeria (SPDC) guilty of neglecting its duty of care in that the company failed to take reasonable steps to stop a foreseeable sabotage from occurring on their crude oil wellhead (Standard, 2013).
	Unholy alliance	• Shell and the Nigerian state are united by a common purpose, that is, "capitalist expansionism and the appropriation of surplus value" (Omotola 2006, p. 12 in (Agbiboa, 2012) • The Nigerian government has no incentive to enforce environmental laws due to the collusion of business interests (Bassey, 2008; Idemudia, 2010, p. 839)
Voluntary diffusion	Uncertainty	• When Shell embarked on its new CSR agenda in May 1994, Shell's exploration and production director Robert Sprague tossed a blank transparency on the overhead projector: "It means that everything – even the most hallowed of Shell's practices, beliefs, and traditions – is up for grabs […]. But getting there won't be easy. […] We are moving forward briskly into the fog" (Guyon, 1997, pp. 121-125).
	Imitation	• "And you know, even globally, CSR started in the early nineties; people knowing that, "Okay, if I'm getting something out of this, then I should be responsible. […] If you are making so much money and you are bettering your own lot, why don't you better the lot of the people also where you are taking the resources from?" (PWYP Nigeria, interview 13.07.2011). • The concurrent rationalizing trends of the Global Environmental Justice Movement, the 1992 Rio Earth Summit putting CSR on the top of the public agenda, and the Human Rights Movement provided a powerful rationale for acquiescence (Mirvis, 2000) • "Chevron who came up with the Global Memorandum of Understanding approach to corporate social responsibility issues - the very first organization to go in that light. So while that was taking place, it was going to look as if - that if you don't adjust to that

		early enough, you will be left behind. So Shell had to also fall into this foray. And what Chevron came up with is also very similar with what Statoil Hydro is going there" (Revenue Watch Institute, interview 05.07.2011) • "Shell imitated Chevron's PIND - Partnership in the Niger Delta" (PWYP Nigeria, interview 13.07.2011)
Dependency	Technical expertise and resources	• "Government agencies are at the mercy of oil companies when it comes to conducting site inspections" (Amnesty International, 2009b, p. 46) • "The regulatory bodies, including the Nigerian National Oil Spill Detection and Response Agency (NOSDRA), have no independent means to initiate oil spill investigations. They are usually dependent on the company both to take staff to the site and to supply much of the data about spills" (Amnesty International, 2009b, p. 46) • Affected communities lack the technical knowledge to determine the cause and volume of oil spilt so that it is rare for the community to be able to make their case effectively (Amnesty International, 2009b) • In 2010, the oil sector accounted for approximately 25% of the country's Gross Domestic Product (GDP), 95% of its export earnings and 80% of the government's revenue (Center for Global Development) • "The whole economy is driven by oil exploration. That is the key thing. As a result of this Shell has a lot of political influence. Politics cannot move without money" (NIPRODEV, skype interview 29.09.2013)
	Contract relationships	• "We call these 'Shell NGOs'. They just become contractors … they are beholden to Shell and not the communities. They want the Shell money. They will do the bidding for Shell, but definitely not for the community" (Stakeholder Democracy Network, skype interview 16.04.2015) • "What should companies like Shell do when faced with a situation where one of its key stakeholders (e.g. Nigerian government) expects it to act as its development agent" (Boele & Fabig, 2001, p. 132) • "Shell cannot do it alone because it's a partnership. […] Everything they are going to change, it will cost them money. Both partners will have to bring money. If you have a partnership where you have a joint venture, if you are going to invest, both parties have to agree to invest" (Initiative for Community Development, interview 13.07.2011)
	Social license to operate	• "Shell started with their social responsibility agenda in the nineties because they were pressured to do so from civil society. […] I tell you, if you go to the place where we have the very first oil field in Nigeria, you will weep! You will weep! So it is actually the agitation of civil society that made them start thinking about giving back and showing that they are not only destroying everything. Only when they felt that the environment was no longer too conducive for them, they begun engaging with civil society organizations, NGOs, to go into communities and talk to communities" (PWYP Nigeria, interview 13.07.2011) • "The Government is far away. Communities make direct claims to Shell to provide for their needs. Shell is the Government for them. […] "Many communities also have a higher awareness of these issues and want Shell to operate so that they can survive. […] Communities cannot survive without Shell's provision of socio-economic services, because the Government is not doing anything and thus they ask Shell to stay or come back" (NIDPRODEV, Skype interview 29.09.2013)

		• "So they have evidence of lack of transparency in these places. And it continues unchecked. Why? Why? Because the mindset of the communities is to accept money from Shell as a share of part of the national cake that is their own portion. So a Shell project starts; everybody goes there. But in reality it is to get a national cake" (Environmental Rights Action, interview 12.07.2011)

4.5. Discussion

In the introduction to this article, I noted the apparent dilemma that MNCs face when confronted with public responsibilities. How should a company respond? Should a successful business try first to serve public ends or to profit its shareholders? Satisfying one demand may require violating others and potentially jeopardize organizational legitimacy. For the public at large, this dilemma becomes particularly critical in a context of a governance void where there is no control to ensure that MNCs involvement in public good issues are done in the best interest of the public. While institutional scholars have contributed to a sophisticated normative account of the adoption of political responsibilities and role (Scherer & Palazzo, 2011; Scherer & Palazzo, 2007), and depicted paradox of compliant adopters not achieving the desired goals (Bromley & Powell, 2012), it remains theoretically underdeveloped and empirically under-explored to what extent companies can and do conform to external institutional pressure to achieve societal outcomes. To understand the effect of a company's response to institutional norms for political CSR on societal outcomes, this paper addressed the following research questions: (1) How do companies respond to political CSR demands? (2) Under which conditions are the different response strategies likely to be mobilized? (3) How do corporate response strategies affect societal outcomes?

4.5.1. A response model to political CSR demands

The emergent model reveals a rather more complex and dynamic picture of MNCs' responses to political CSR demands than that presented in the literature above and sheds new light on the gap between political CSR activities and public ends. The findings identify four main responses ranging from symbolic implementation (compromise and internal buffering) to active contestation (defiance and manipulation). Notably, they vary in organizational resistance to institutional demands (active agency): from partial compliance with institutional demands to address public ends to increasing active resistance and intent to alter institutional norms towards corporate ends. The intensity of organizational response is related to the maturity and the convergent pressures of the issue at stake. For example, in line with the emergence of transparency as a 'global issue arena' and related government efforts for stringent regulations, Shell's strategies become more aggressive and coordinated (with the headquarters engaging in industry partnerships and alliances). This complex and dynamic process of corporate responses is extended over time, and somewhat indeterminate with predominantly negative consequences for public ends. The findings rule out full acquiescence to institutional demands in the context of these two boundary conditions. Political CSR norms are considered an institution: they formally prescribe adopter behavior and specify intended goals within an emerging CSR infrastructure (for an overview see Waddock, 2008). In other words, they constitute the rules of the game serving to define social practices, assign roles, and guide interactions (Young, 1994).

In this section I describe the dynamic process nature of these four responses and the boundary conditions in relation to societal outcomes. I regard each response and trigger factor as a conceptual building block for the emergent framework and corporate response model (presented in Table 13 and Figure 3 respectively).

Table 13 A response framework for normative political CSR demands

		Corporate response determinants					
		Rationale			**Constituency power to enforce demands**		
Aggregate theoretical dimensions	**Corporate response strategies**	Efficiency	Legitimacy	Autonomy	Legal coercion	Voluntary diffusion	Corporate dependency on external constituents
Symbolic implementation	Compromise	Medium	Medium-high	Low	Low	High	Medium-high
	Internal buffering	Medium	Medium-high	Medium-low	Low	High	Medium
Active contestation	Defiance	High	Low	Medium	Medium	Medium-low	Medium-low
	Manipulating	High	Medium-low	High	High	Medium-low	Low

Symbolic implementation involves the company's partial acquiescence to institutional demands through an integration of normatively prescribed processes such as evaluation, monitoring, partnering and dialogue despite a clear connection to desired outcomes (for both the community and the company) and a complete integration with core business processes and goals. Thus, the core of symbolic implementation is a focus on appearance – the adherence to rationalizing accounts and myths of the environment – rather than a complete integration of institutional demands to address public ends with to core business processes and goals. It involves compromise and internal buffering strategies. Symbolic implementation is similar to symbolic adaption (commonly referred to as policy-practice decoupling) in that it protects core business practices, but it differs in that policies and practices are largely implemented within processes and subunits (Bromley and Powell (2012) define this form of decoupling as means-ends decoupling).

Compromise strategies involve actively bargaining alternations of demands and expectations. In other words, organizations negotiate with external constituents to exact some concessions for the scope and frequency of compliance. In the case of Shell, the findings show that the company has actually increasingly acquiesce to institutional demands and largely implemented them into its core processes and structures. In other words, formal political CSR demands such as engagement in self-regulating MSI, dialogue, and democratic corporate governance have had real organizational consequences as daily practices and structure are altered. Yet, the adaption of political CSR norms remains symbolic. For instance, the findings reveal that Shell formally engages in multi-stakeholder initiatives such as the JIV, but at the same time seeks to compromise on the scope and timing of compliance and sanctions for non-compliance by negotiating with local communities or institutional constituents and community representatives in court settings the volume and cause of oil spills and the compensation rates. The company's response is largely determined by (medium-high) anticipated **legitimacy** gains and (medium) **efficiency** gains. While organizational conformity to deliver public goods via self-regulating MSI (e.g. GMoU) makes Shell less efficient (external expectations to allocate corporate resources to public ends conflict with shareholder demands for more profit), it increases the company's legitimacy by mobilizing the social support of host communities (in context of increasing communities' demands for filling the governance void and addressing the negative impacts of the company's core business) and international civil society (in context of high uncertainty and legitimacy crisis in the mid-90s). Shell is able to *compromise* on its normative promises since **legal enforcement** is low and all parties involved in the MSI – the government, affected communities, and civil society organizations – **depend** on Shell to monitor its own compliance (e.g. JIV) and provide socio-economic development (e.g. GMoU). Furthermore, the high **diffusion of voluntary standards** and the positive evaluation of Shell's participation these MSI serve as adaptive symbols as they provide the company with the causal link to societal ends.

Internal buffering refers to the organization's attempt to disguise the non-conformity of its core business operations by avoiding external inspection, evaluation and public scrutiny. While Shell started to acquiescence to political CSR demands for transparency and stakeholder engagement, the findings show that the company attempts to preclude the necessity of total conformity by *concealing information* and *avoiding external inspection* and *meaningful participation and inclusive dialogue*. The company's response is largely determined by powerful movements for more transparency and stakeholder engagement in the extractive industry sector (**voluntary diffusion**) and related anticipated gains in **legitimacy** (medium-high) and by extension **efficiency** (medium). Shell is in a powerful position to buffer its core business operations by taking advantage of the lack of **legal coercion** and the resulting lack of an external control environment for data accuracy.

Compromise and internal buffering strategies serve as adaptive symbols to the political CSR discourse, which have taken substantive value over and above their desired direct contribution to societal outcomes. The findings reveal that the company's compromise and internal buffering strategies had predominantly negative societal outcomes but served corporate instrumental goals such as increased legitimacy and efficiency. For example, compromise strategies not only had a limited efficacy in addressing the negative impact of core operations and in bringing benefits and meaningful development to communities, but created additional negative externalities such as conflict over contracts and proper oil spill remediation. Also the company's internal buffering strategies were criticized for limiting the effectiveness for evaluating the impact of Shell's political CSR initiatives (benefits and harm) on the public good and for fueling distrust and even violent conflict.

While symbolic implementation is on the thin edge of the wedge in organizational adaption to institutional demands, active contestation is rooted in the intentional efforts to bypass or even alter the source and content of institutional demands or constituents. Hence it differs in the level of active resistance to given normative political CSR demands and draws attention to the dark side of organizational responses undermining the achievement of public ends. The findings reveal that Shell defies local regulatory requirements, Shell's own principles, and international standards due to *failures of due diligence in the company's asset integrity management,* allegations of *corruption and bribery* and *complicity in human rights abuses*. The company's response is essentially determined by anticipated **efficiency** gains. Institutional demands for asset integrity and heightened duty to avoid human rights violations in conflict-zones like the Delta are in conflict with the unsustainable nature of the company's core business (see Frynas, 2005) and the capitalist logic of profitability (Environmental Rights Action, interview 12.07.2011)(Idemudia, 2010, p. 839). Also, the temptation to ignore institutional values and norms is high for Shell since the potential for external enforcement by both **legal coercion** and **voluntary standards** is medium-low. The government **dependence** on oil revenues gives Shell enormous leverage in the regulatory system. The study also shows that Shell tries to *alter* upcoming more stringent demands and regulations in the area of revenue transparency by *co-opting institutional constituents* and *influencing institutional belief systems.* These more aggressive and coordinated responses were essentially determined by anticipated losses in **efficiency** and **autonomy**. A shift from voluntary to mandatory regulation presents a loss in decision-making discretion and the weakening or even annulation of previous pacifying, bargaining and internal buffering strategies (due to potentially higher **legal coercion** and sanctions in Nigeria).

These four strategies presented in Table 13 form the basis for a new model for theorizing on corporate responses in the context of political CSR demands (see Figure 3 below). Each column answers one of the research questions with regard to the company's strategy, response determinants and the societal impact. It is critical that the model demonstrates that these strategies do not come ready-packed, but present a complex picture in which a MNC is able to mobilize different response strategies at the same time in different institutional settings with different resistance to institutional demands to address public goods issues. This view of corporate response strategies provides a new set of conceptual tools to understand the important question of how a company responds to institutional demands that are conflicting with the goals and the nature of the company's core business.

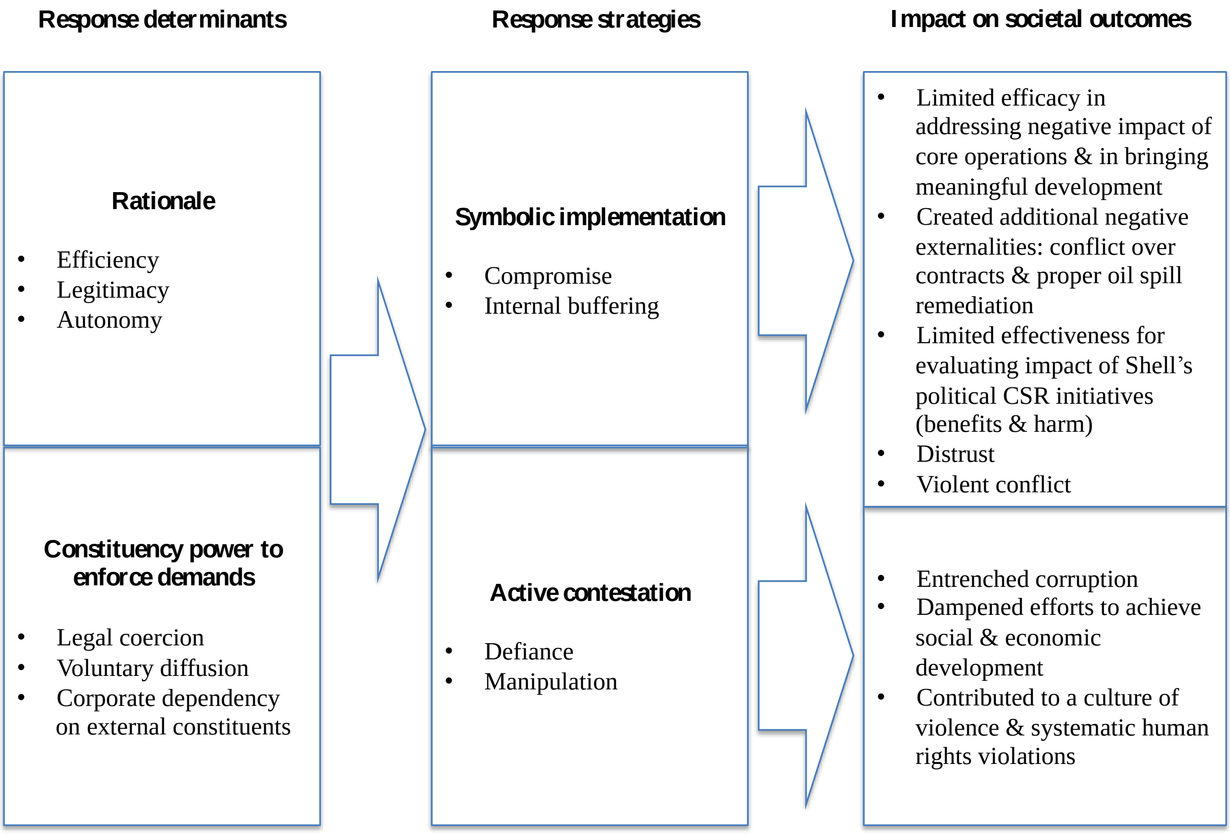


Figure 3 Model of corporate response strategies and determinants and their societal impact

4.5.2. Implications

The new model of corporate response strategies, visualized in Figure 3, make two important contributions to the literature: (1) it identifies previously unidentified responses to normative political CSR demands – namely compromise, internal buffering, defiance and manipulation; and (2) it sheds light on the interests and power relations behind the company's response strategy. This study offers several contributions to the political CSR literature in specific and the broader CSR literature in general. Since the political CSR field is dominated by institutional theory and stakeholder theory (Frynas &

Stephens, 2014) the critical gaps depicted here also contribute to future theory development in this body of literature. I now review these contributions in detail.

4.5.2.1. The dynamic and indeterminate nature of responses to political CSR demands

With regard to the first point, MNCs are assumed to acquiescence to political CSR demands due to a governance void (Scherer & Palazzo, 2011; Scherer & Palazzo, 2007), increasingly rationalizing pressures to increase transparency and accountability (Bromley & Powell, 2012) and an increased homogenization of CSR across borders through cognitive, normative and regulative pressures (Matten & Moon, 2008; Waddock, 2008). The emerging institutional CSR infrastructure is even predicted to facilitate the adaption of hard law (Rivoli & Waddock, 2011). In this line of thought, scholars assume that any form of decoupling of corporate policies or practices from institutional demands is considered a transitory phenomenon (Boxenbaum & Jonsson, 2008; Bromley & Powell, 2012; Haack et al., 2012) as it does not provide general legitimacy benefits (Bromley & Powell, 2012, p. 516) and thus may not be a viable long-term option for adopters of CSR-related practices (Haack et al., 2012).

This study reveals a more complex and dynamic repertoire of alternative strategies available to organizations than previously acknowledged in the political CSR literature in specific and the institutional literature in general. Notably, it introduces the role of organizational self-interest and active agency in organizational responses to political CSR demands. This research draws on and contributes to previous institutional work that proposed a useful typology of responses to institutional demands (Oliver, 1991) and introduced the conception of ‘institutional work’ or the “purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions” (Lawrence & Suddaby, 2006, p. 215). In particular, it enhances the predictive power of these theoretical concepts when discussing responses to conflicting demands in a particular empirical setting. So far these scholars merely suggests “that organizations find it difficult to acquiesce to what is expected from them and, thus, are highly likely to resort to more resistant strategies, such as compromise, avoidance, defiance, or manipulation” (Pache & Santos, 2010). Specifically, this research introduces a previously unacknowledged response, internal buffering, as a symbolic effort to implement political CSR demands into the company's core processes and structure. In line with other studies, the findings also reveal symbolic implementation (Bromley & Powell, 2012; Wijen, 2014) and active contestation (Levy, 2008) and as new, and potentially more consequential forms of deviation from institutional demands such as the normative benchmark of political CSR. As a consequence, the findings demonstrate the dynamic, and somehow indeterminate nature of corporate responses to political CSR demands as opposed to the current framing of any deviation from this normative benchmark as a transitory phenomenon (Boxenbaum & Jonsson, 2008; Bromley & Powell, 2012; Haack et al., 2012): the findings show that company employs various response strategies for one issue area at the same time ranging from symbolic implementation to active contestation. In line with other studies (Oliver, 1991; Pache & Santos, 2010), this study rules out full compliance as a likely response in the context of the identified boundary conditions.

These findings show furthermore, that – contrary to the assumptions of political CSR – conformity is neither inevitable nor invariably instrumental for achieving corporate legitimacy. For example, internal buffering strategies serve as (to borrow from the vocabulary of Jürgen Habermas) a 'procurement of legitimation'. The company uses CSR reporting and transparency initiatives as adaptive symbols to the political CSR discourse to portray themselves as responsible citizens that care about the public good while selecting only a few areas for openness and avoiding independent verification of baseline data. Thus, established input legitimacy dimension such as transparency, consensual orientation, procedural fairness, and stakeholder inclusion are ironically used as adaptive symbols to serve corporate instrumental goals instead of public ends. In the same line of thought Henriques (2007, p. 150) commented that it is ironic that CSR or sustainability reports "were originally conceived as mechanisms for companies to demonstrate that they were being influenced by their stakeholders, rather than vehicles for the opposite". Given Shell's positive evaluations from MSI such as the GRI and numerous CSR awards, this confirms previous claims that "not only that deviations from the normative prescripts occur in successful organizations, but that they may even be a major promoter of success" (Brunsson, 1993) and obtain even legitimacy benefits by co-optation institutional constituents (Oliver, 1991).

In sum, this study sheds light on the limited assumptions of political CSR literature with regard to the finite deliberation process leading to consensual outcomes to enhance both corporate legitimacy and societal ends as it depicts a rather complex and somehow indeterminate process of contestation leaning towards corporate instrumental goals and interests. It also extents institutional work on the relationship between action and institutions (Oliver, 1991), subsequent empirical studies and theoretical extensions (Rao et al. 2001; Seo and Creed 2002; Thornton 2002; Zilber 2002; Lawrence 2004; Washington and Zajac 2005; Greenwood and Suddaby 2006) and more general descriptions of the relationship between action and institutions (DiMaggio and Powell 1991; Beckert 1999; Lawrence 1999; Fligstein 2001 in (Lawrence & Suddaby, 2006).

4.5.2.2. Conflicting goals and power struggles

The political CSR literature prescribes MNCs' conformity to external pressures in line with institutional theory's assumptions about the similarity of expectations between organizations and constituents that impose pressures and expectations. For example, the authors claim that MNCs should, and already do, engage in traditional government activities of political and social regulation even in areas not directly related to their business (Scherer & Palazzo, 2007) and operate as new providers of citizenship rights and public goods (Matten & Crane, 2005; Scherer & Palazzo, 2011; Scherer et al., 2009). In other words, business firms' interaction with the political sphere should be in the name of the public interest (Scherer et al., 2009, p. 577) reflecting a pro-social logic that differs fundamentally from narrow self-interest (Suchman, 1995, p. 579 in Scherer & Palazzo, 2011). Furthermore, political CSR's normative yardstick is a power-free discourse (Scherer & Palazzo, 2011) based on the 'forceless force of the better argument' (Habermas, 1990, p. 185 in Scherer & Palazzo, 2011). In this sense, multi-stakeholder deliberation is understood as a 'school of democracy' where power differences are neutralized by the democratic design of the arena (Scherer & Palazzo, 2011) following input and output legitimacy criteria (Mena & Palazzo, 2012). Political CSR scholars also assume that corporations become subjects of new forms of democratic processes of legitimacy and control by engaging in the processes of self-regulation (Scherer & Palazzo, 2011). The authors assume that these normative means encourage processes of 'communication' and 'deliberation' with multiple stakeholders contributing to organizational learning and democratization rather than mere bargaining along the lines of participants' pre-defined institutional interests and power differences (Dryzek, 2005; Risse, 2004; Scherer & Palazzo, 2011; Scherer & Palazzo, 2007).

The data however indicates in line with other studies (Oliver, 1991; Pache & Santos, 2010) that this emphasis on the consensual nature of institutional demands with corporate goals is "bounded by the potential for dissensus between organizational and institutional expectations, which gives rise to the mobilization and defense of organizational interests" (Oliver, 1991, p. 162). In this line of thought, the analysis has revealed the paradox of conflicting institutional demands with regard to efficiency, legitimacy and autonomy as one important determinant for Shell's response strategies. For example, Shell's political CSR activities in the area of community development and transparency became deeply shaped by external legitimacy criteria that have little to do or are even at odds with the organization's core goals. However, the business case for political CSR (efficiency) and the 'procurement of legitimation' mask the underlying paradox.

Ignoring this paradox has hampered organizations like Shell to act responsible and undermined the achievement of broader social and ecological ends. This dilemma of contradicting demands has been identified by Weber (Weber, 1930; Weber, Roth, & Wittech, 1921) as the tensions between formal and substantive rationalities and is also captured in the vast array of extant literature on paradox (Raisch & Birkinshaw, 2008; Schreyögg & Sydow, 2010; Smith & Lewis, 2011) and multiple institutional logics (Lounsbury, 2007; Thorton & Ocasio, 1999). Yet, it has gained little attention in the political CSR literature. In line with paradox scholars this study suggest that paradoxes are particularly relevant in the field of business in society (Bouckaert, 2006), as the market structure and business systems naturally constrain the forms and extent of CSR approaches (Sum & Ngai, 2005). In that regard, one of the key issues in implementing political CSR seems to be the tensions involved in integrating and embedding normative demands into the company's core business activities (Campbell, 2007; Porter & Kramer, 2007).

This study also follows a call to shed light on motivations and interests (Whelan, 2012) and the underlying power relations (Banerjee, 2008) that inform MNC's responses to political CSR demands and can obstruct the rights of citizens (Nyberg et al., 2013) and undermine representative democracy and the public good (Barley, 2007). Following the critique on asymmetric interests above, this study suggests that it is empirically more accurate to conceive 'political CSR' initiatives as a politically contested environment driven by instrumental reasoning and struggles for control and power. Notably, this study has identified a corporation's response repertoire ranging from accommodative strategies such as bargaining and internal buffering to more resistant and disruptive strategies such as active defiance and manipulation. Here, this study has revealed that a second important determinant for MNC's responses to political CSR demands are institutional control mechanisms such as legal coercion and voluntary diffusion and corporate dependence on institutional constituents who exert power. These findings show that CSR should not be perceived as mere 'greenwashing' (i.e. symbolic adaption), but a continuous power play in which MNCs have substantially altered elements of the company's discourse, business model, and governance structure in line with the normative benchmark of political CSR, and at the same time continuously try to extend the boundaries for corporate action/limitation – 'a battle for control'.

Thus, in line with other scholars, this study finds that the political CSR literature "is yet to take full or consistent account of the fact that Western MNCs are 'specialized economic organs'" (Ruggie, 2008, p. 16 in Whelan, 2012) and that global and local MSI are not inherently equitable or democratic, but depending on dynamics of power and strategy (Gill, 2002; Levy & Prakash, 2003; Levy et al., 2015) to sustain corporate legitimacy and deflect regulatory threats (Barley, 2010; Shamir, 2004). For instance, the tobacco industry's CSR efforts have been described as "a tool of stakeholder management aimed at diffusing the political impact of public health advocates by breaking up political constituencies working towards evidence-based tobacco regulation" (Fooks et al., 2012, p. 283). In the same line of though it has been observed that "CSR evolves as a complex site where pressures and counter-pressures begin to assume a more or less definitive structure, with 'authorized' agents who occupy certain 'recognized' positions from which they assert 'what is at stake'" (Shamir, 2004, p. 671).

Also, in line with Levy et al. (2015) the identified response determinants show that "strategic power is […] curtailed, however, by the same forces of indeterminacy and complexity, which limit the ability of agents to anticipate every contingency" (Levy et al., 2015, p. 7).

Altogether this study revealed that political CSR in practice fails to fully attain to the normative benchmark of a Habermasian ideal of a public-oriented company participating in a power-free and deliberative process of decision-making. Yet, this study also showed that political CSR practice is not an empty rhetoric or a case of mere 'greenwashing', but that political CSR norms have been largely implemented into the corporate processes and governance structure. Thus, corporations can act responsible in line with political CSR norms. But the response to institutional demands are likely to be partial and short-term as long as essential determinants such as rationales and underlying power structures are not addressed with effective regulation and monitoring.

4.5.3. Limitations

This study has limitations that should be taken seriously. First, this study is based on a single case, and it would be important to examine others in different industrial and geographical contexts. Notably, the case of Shell is unique for the nature of its controversial core business and complex operating environment, which are not found in other industry sectors or geographical settings. Despite these boundary conditions, an extreme case such as the one presented in this paper offers an opportunity to study a familiar phenomenon and set of strategies in-depth and focus on key elements that existing work has neglected (Bamberger & Pratt, 2010). Notably scholars call for more empirical investigation on the impact of corporate response strategies on outcomes for society (Banerjee, 2007, p. 167; Devinney, 2009, p. 54; Margolis & Walsh, 2003) in particular settings (Bromley & Powell, 2012, p. 519; Brunsson et al., 2012; Frynas & Stephens, 2014) such as in complex and heterogeneous environments (Scherer et al., 2013). In the case of Shell the process of interest is 'transparently observable' (Pettigrew, 1988) and thus "offer lessons for all organizations as they face an increasingly turbulent world" (Eisenhardt, 1989b). Moreover, extant research supports the thesis that symbolic implementation is not limited to the extractive industry sector. For example, it has been shown that information and technology departments are commonly buffered from the rest of an organization (Boynton & Zmud, 1987), or that in hospitals subunits such as nurses, physicians, or paramedical staff are often distinct entities (Leatt & Schneck, 1984). Also strategy scholars (Gupta, 1984; Horwitch & Thietart, 1987) and recent research in organizational complexity and institutional pluralism (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011) and multiple institutional logics (Lounsbury, 2007; Thorton & Ocasio, 1999) observe incongruent and buffered units within organizations which would fit the characterization of symbolic implementation.

Second, I am aware that there are other trigger factors that may influence the response of the organization. For instance, in addition to the factors that I have outlined in this study, organizational responses might also differ in terms of the pillar on which they rest such as normative, regulative, and cognitive factors. For example building on the cognitive factors, stakeholder theory literature (Freeman, 1984; Mitchell, Agle, & Wood, 1997) point to the 'perception of the importance of constituents' as a determinant response factor. Also, recent strategy scholars (Murillo-Luna, Garces-Ayerbe, & Riverra-Torres, 2008; Sharma & Henriques, 2005) find that organizations are more likely to respond to stakeholder pressures that they perceive as important. Other response determinants could include structural factors such as relationships with other organizations that favor a certain set of responses (DiMaggio & Powell, 1983; Westphal & Zajac, 2001) and the organization's position in the field (Dorado, 2005; Haveman & Rao, 1997). They may also differ with regard to organizational factors such as the profile of organizational leaders (Ingram & Simons, 1995; Oliver, 1991), and the extent to which organizational members adhere to and promote a given demand (Greenwood & Hinings, 1996; Kim, Shin, Oh, & Jeong, 2007). Notably, taking into account the latter would have shed light on why Shell has resorted to compromise and manipulation strategies – responses that have been predicted as unlikely in the context of conflicting institutional demands (Pache & Santos, 2010). Overall, while I acknowledge the importance of other factors, their detailed analysis is out of the scope for this study and suggested for future research. Furthermore, in the context of political CSR critical management scholars have pointed to the importance of shedding light on the underlying rationale (Barley, 2007; Whelan, 2012) and power relationships (Banerjee, 2007; Levy & Scully, 2007) as important response determinants to political CSR demands.

4.6. Conclusion

This research embraces the company's dilemma between economic and broader social objectives and the lack of attention to societal outcomes as a starting point for a systematic in-depth empirical inquiry of the oil mayor Royal Dutch Shell. The emergent theoretical model of MNCs' responses to political CSR demands develops two key insights. First, it identifies previously unidentified responses to normative political CSR demands – namely compromise, internal buffering, defiance and manipulation. Notably, they vary in organizational resistance to institutional demands (active agency): from partial compliance with institutional demands to address public ends to increasing active resistance and intent to alter institutional norms towards corporate ends. The intensity of organizational response is related to the maturity and the convergent pressures of the issue at stake. This complex and dynamic process of corporate responses is extended over time, and somewhat indeterminate with predominantly negative consequences for public ends. Contrary to the current framing of decoupling of political CSR as a transitory phenomenon (Boxenbaum & Jonsson, 2008; Bromley & Powell, 2012; Haack et al., 2012), the findings also show that conformity is neither inevitable nor invariably instrumental for achieving corporate legitimacy. In sum, this study sheds light on the limited assumptions of political CSR literature with regard to the finite deliberation process leading to consensual outcomes to enhance both corporate legitimacy and societal ends as it depicts a rather complex and somehow indeterminate process of contestation leaning towards corporate instrumental goals and interests. It also extents institutional work on the relationship between action and institutions (Oliver, 1991), subsequent empirical studies and theoretical extensions (Rao et al. 2001; Seo and Creed 2002; Thornton 2002; Zilber 2002; Lawrence 2004; Washington and Zajac 2005; Greenwood and Suddaby 2006) and more general descriptions of the relationship between action and institutions (Beckert, 1999; DiMaggio, 1991; Fligstein, 2001; Lawrence, 1999). Second, the response model sheds light on the interests and power relations behind the company's response strategy. In particular, the findings reveal the paradox of conflicting institutional demands with regard to efficiency, legitimacy and autonomy as one important determinant for the Shell's response strategies, which questions the emphasis of political CSR scholars on the consensual nature of institutional demands with corporate goals. This study also sheds light on motivations and interests (Whelan, 2012) and the underlying power relations (Banerjee, 2008) that inform MNC's responses to political CSR demands. These findings show that CSR should not be perceived as mere 'greenwashing', but a continuous power play in which MNCs have substantially altered elements of the company's discourse, business model, and governance structure in line with the normative benchmark of political CSR, and at the same time continuously try to extend the boundaries for corporate action/limitation – 'a battle for control'. Thus, this study suggests that it is empirically more accurate to conceive 'political CSR' initiatives as a politically contested environment driven by instrumental reasoning and struggles for control and power. Altogether this study revealed that political CSR in practice fails to fully attain to the normative benchmark of a Habermasian ideal of a public-oriented company participating in a power-free and deliberative process of decision-making. Yet, this study also showed that political CSR practice is not an empty rhetoric, but that political CSR norms have been largely implemented into the corporate processes and governance structure. Thus, corporations can act responsible in line with political CSR norms. But the response to institutional demands are likely to be partial and short-term as long as essential determinants such as rationales and underlying power structures are not addressed with effective regulation and monitoring. Thus, while the case of Shell is uncommon and analytically extreme in the literature, the phenomenon under investigation is increasingly relevant in the world and hence, timely and important for the research community.

The case study approach taken in this research also allows for theoretical generalizability (Eisenhardt, 1989a; Geertz, 1973). The company's dilemma between economic and broader social objectives is not limited to the extractive industry sector. The ascendency of neo-liberal ideology and associated privatization of traditional government responsibilities is putting increasing pressure on all industry sectors to address public goods problems and regulation. Furthermore, the pervasive spread of rationalizing trends in society such as the increasing emphases on measurement, transparency, and accountability is putting growing pressure on organizations to align their policies and practices more closely and to conform to external evaluative criteria.

4.7. Study 3 Exhibits

Exhibit 4.7.1. Overview of secondary documents

1) Scientific work

Academic articles

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Exhibit 4.7.2. Timeline of events

Date	Events & Shell's response strategies
1980s	Environmental Justice Movement
1990	Movement of the Ogoni People (MOSOP) & Ogoni Bill of Rights campaigning for social, economic and environmental justice in the Niger Delta of Nigeria
1992	Earth Summit in Rio de Janeiro: Modern CSR was born, when UN-sponsored recommendations on regulation were rejected in favor of a manifesto for voluntary self-regulation put forward by a coalition of companies called the World Business Council for Sustainable Development
1995	MOSOP chief and Ogoni leader Ken Saro Wiwa and eight other Ogoni were hanged by Nigerian authorities
1996	Wiwa-Shell court case: Shell faces lawsuit under the US Alien Tort Claims Act 1789 for alleged human rights violations in Nigeria, including summary execution, crimes against humanity, torture, inhumane treatment and arbitrary arrest and detention
1996	Shell lobbies against ATCA in collaboration with Shell's chief executive Sir Philip Watts, then chair of the UK branch of the International Chamber of Commerce (Pendleton et al., 2004)
1996	Shell Corporate governance restructuring after broad inquiry of stakeholder perceptions on Shell's reputation and trust from 1995 to 1996 • Installation of permanent Nigeria team at headquarters level to defend the company's position with regard to the 'Ogoni issue'. Today the team is responsible for partnerships management and external engagement with local and international stakeholders • Employed Shandwick, one of the world's largest PR firms, to repair its public image, improve its ability to lobby effectively and to develop the www.shell.com website • Took on four new in-house senior PR executives (Pendleton et al., 2004)
1997	• Shell is the first company to make an explicit commitment to safeguard human rights • Rewrites its 1976 Statement of Business Principles into the statement of General Business Principles
1997	Shell sets up Social Responsibility Committee
1997	Shell International Renewables was created as a new core business and catapulted Shell to become one of the leading renewables companies in the world (Frynas, 2003)
1998	First Shell Report presents a Road Map of how Shell planned to integrate sustainable development into the way it does business over the next few years
1998	Shell withdrew from the Global Climate Coalition (lobby group) and started to brand itself as a caring, green company
1999	Second Shell Report reports on Shell's performance under each of our Business Principles and hires financial auditors KPMG and PricewaterhouseCoopers to verify the social information (Shell, 1999)
1999	Corporate governance reform: a new Sustainable Development Management Framework • The framework is implemented at the Group level and in key areas of the businesses • A Sustainable Development Council encourages and monitors progress across the Group and comprises senior chief executives (Shell, 1999, p. 20)
2000	Shell Foundation is set up as a legally independent charity
2000	Shell joins the Global Compact and Voluntary Principles on Security and Human Rights
2001	Shell develops with the help of the Danish Institute for Human Rights (DIHR) the Human Rights Compliance Assessment (HRCA) tools (Jacoba Schouten, 2010, pp. 289-292)
2001	A leaked US embassy cable reveals that Shell blocks Global Initiative on Gas Flaring (US Embassy, 2001)
2002	SPDC report admits that the cash payments remain a problem (Pendleton et al., 2004)
03/2002	Shell joins the Global business coalition on Health to work in partnerships with relevant local and global organizations as well as other key stakeholders to help combat the AIDS epidemic http://www.shell.com/global/environment-society/society/hiv-and-aids.html
08/2002	As a response to peaceful protests by women from several ethnic groups (Ijaw, Urhobo and Itsekiri) Chevron and Shell invite the military who brutalizes most of the women (Human Rights Watch, 2003)
10/2002	A leaked cable reports that Shell have denied responsibility for an oil spill which, according to the NGO Center for Social and Corporate Responsibility was caused by corrosion

2003	Shell starts its liveWIRE Nigeria program to provide access to entrepreneurship training, business development services and start-up capital to establish and expand youth-owned businesses (Shell Nigeria, 2012b)
08/2003	A leaked embassy cable reports that Shell appears to be closely involved in the Nigerian military's plans for a large-scale deployment in the Warri area and is providing the army with helicopters for reconnaissance (US Embassy, 2003)
08/2003	• A leaked US Embassy cable reveals that Shell and two other multinational oil companies (who signed the VPs) don't have a codified use of force guidelines in either their internal policies for Nigeria or bilateral agreements with the government • Shell's global (not Nigeria-specific) set of use of force Guidelines and its supplement for Nigeria (Police Force Order Number 237) is non-compliant with a raft of human rights instruments (US Embassy, 2003)
09/2003	A leaked US Embassy cable reveals that Shell confirms the extent of support for the military (Amunwa & Brown, 2013)
09/2003	A leaked US Embassy cable reveals that Shell is responsible for major oil spill in village of Tia, Ogoni (Amunwa & Brown, 2013)
2003	A leaked report of Shell's consultants WAC Global Consultants on the peace and security situation in the Niger Delta reveals most company-community conflicts can be traced back to poor company practices, not poor policies (WAC Global Services, 2003, p. 11).
12/2003	Shell's consultants, KPMG, officially state that they are unable to evaluate community spending due to significant control weaknesses which impacts on data integrity (SPDC, 2004, p. 29)
01/2004	Christian Aid report criticizes Shell's Community Development (CD) approach (Pendleton et al., 2004)
2004	• Shell restructures its community development program (CD) to become 'sustainable community development program (SCD)' including a Peace and Security Strategy (PaSS) (WAC Global Services, 2003) • Teams up with US Agency for International Development and the World Bank's International Finance Corporation for a three-year malaria-prevention and a new youth employment initiative respectively (Pendleton et al., 2004)
11/2005	Shell ignores court ruling to stop gas flaring in the Iwherekan community/Niger Delta (Climate Justice Programme, 2005)
2005	Nominated for the Public Eye People's Award http://www.publiceye.ch/en/hall-of-shame/royal-dutch-shell-group/
01/2006	Violence against Shell starts: MEND rebels attack an SPDC oil field (International Crisis Group, 2006)
2006	UNDP report reveals damages from oil exploration and negative impact on socio-economic development (UNDP, 2006)
05/2006	A Nigerian court orders SPDC to pay $1.5 billion in damages to a host community in the Niger Delta for years of environmental pollution. Shell files an appeal and refuses to accept the judgment.
02/2006	Military helicopter gunships and jet fighters are deployed over Okerenkoko and surrounding communities emitting explosives and shooting into communities indiscriminately. The aircraft used for the attacks are said to have been deployed from Osubi airstrip in Warri, a civilian airstrip owned by Shell (International Crisis Group, 2006)
09/2006	Documents released to the Guardian under the Freedom of Information Act show that the Shell Foundation lobbied for commercial interests of the company even though the multinational oil company says the charity it funds - the Shell Foundation - is completely independent and contributes nothing towards its profits (Evans & Macalister, 2006)
12/2006	65 Nobel laureates comprising the Commission of Nobel Laureates on Peace, Equity and Development in the Niger Delta Region of Nigeria proposed measures to oil companies to prevent the spiral of deadly violence in the oil-rich yet impoverished Niger Delta region: (1) publish audits of their revenues; (2) establish a "Community Investment Fund"; (3) clean up oil spills, eliminate gas flares, and provide special compensation to communities devastated by environmental degradation; and (4) train and hire residents from affected populations in the Delta region. http://www.business-humanrights.org/Links/Repository/954799/link_page_view

2006	• SPDC formalizes new approach to Community Development: Global Memorandum of Understanding, which places emphasis on more transparent & accountable processes, regular communication with grassroots organizations and greater sustainability and conflict prevention • Shell integrated a commitment to business integrity & transparency in Code of Conduct (Shell, 2012).
05/2008	Victims of oil pollution from Shell installations in Oruma, Goi and Ikot Ada Udo, in conjunction with Milieudefensie, have started legal proceedings against Shell Nigeria and Royal Dutch Shell plc (the parent company) in the Netherlands
08/2008	Oil spill due to equipment failure ("weld defect") in Bodo, Ogoniland (Amnesty International, 2011)
12/2008	Oil spill in Bodo caused by equipment failure as a result of natural corrosion
07/2009	The Global Business Coalition names SPDC the first winner of the annual award for Partnership in Collective Action for the company's Niger Delta AIDS Response program http://www.shell.com/global/aboutshell/media/news-and-media-releases/2009/niger-delta-aids-response-program-24062009.html
10/2009	A leaked US cable reveals that Shell has tied grip over Nigerian government (Amunwa & Brown, 2013)
2009	Shell agreed to pay US$15.5 million to settle the Ken Saro-Wiwa case lawsuit in the US
2009	Corporate Governance Reform • Embedded CR governance structures at the Board (Royal Dutch Shell, 2009a, p. 10). • Introduces a clause on the Voluntary Principles on Security and Human Rights to all new and renewed security contracts (Royal Dutch Shell, 2009a)
2010	Winner of the Social enterprise and reports award (Shell Nigeria, 2012b)
2010	3-year partnership with Discovery Channel global education to improve quality of education in Nigeria through enhanced visual aid and technology in the classroom (Shell Nigeria, 2012b)
2011	Shell's liveWIRE Nigeria program received the African leadership Magazine award for Youth Development (Shell Nigeria, 2012b)
2011	United Nations Environment Program scientific assessment criticized Shell over its inadequate oilfield infrastructure and clean-up of oil spills, a practice which did not meet local regulatory requirements, SPDC's own procedures or international best practices.
2011	Shell's "Cradle-to-Career" program receives special recognition at the 2011 United Nations innovation Fair in Geneva, Switzerland. (Shell Nigeria, 2012b)
2011	Amnesty Report denounces Shell's oil spill investigation process (Amnesty International, 2011)
2011	Shell announced hired Bureau Veritas to verify the oil spill investigation system, but refuses to inform civil society members what exactly Bureau Veritas has verified or will verify, and whether Bureau Veritas will be allowed to consider evidence provided by communities and NGOs (Amnesty International, 2012a, p. 8)
07/2012	Nigerian authorities fined Shell US$5 billion as an 'administrative penalty' for an oil spill in December 2011 at the Bonga offshore field.
08/2012	Information from Shell's security department was leaked to Platform by an ex-Shell manager and reveals failure of due diligence. Shell's security spending fueled conflict and enabled systematic human rights abuses by government forces and armed militants.
2012	Shell successfully sued along with other oil companies, American Petroleum Institute, National Foreign Trade Council & US Chamber of Commerce the Securities and Exchange Commission in federal court to challenge the implementation of the Dodd-Frank Act Section 1504
01/2013	The district court of the Hague ruled that Shell was responsible for an oil spill in the Niger Delta and ordered the oil giant to pay damages to one farmer, Mr. Friday Akpan
07/2013	The National Contact Point (NCP) agency (which has been set up to oversee the OECD guidelines), found that Shell's statements that sabotage is responsible for most oil spilt in Nigeria were based on disputed evidence and flawed investigation (Bawden, 2013)
2013	Nominated for the Public Eye People's Award
2014	Out of court settlement: UK court case: Shell had to accept, in the first case of this kind, legal liability for two massive oil leaks in Ogoni in 2008/2009 as a result of equipment failure.

Chapter 5: Conclusion, limitations and future research

This thesis has examined a phenomenon that is both contemporary and lasting in time: the political role and responsibilities of MNCs to serve public goods and business regulation. The final section provides a synthesis and extension of the key findings of chapters 2,3, and 4. I first reiterate the key contributions, and then I identify some of the key patterns and limitations that have emerged in this thesis to present avenues for future research.

Firstly, the chapters presented here have focused on the political role and responsibilities that the company Shell has adopted in a context of a governance void at the global and local level in Nigeria. Chapter 2 has broadly explored political CSR's practices and the impact on societal outcomes in one particular area of political CSR – peace and development. The findings reveal first empirical insights into a predominantly normative and young debate[10]. On the one hand, this study highlights the negative impact of the Shell's CSR practices on the dynamics of local violence and the company's failure to address the negative social and environmental impact of its core business. On the other hand, the findings show the prevailing ambiguity in theory and practice surrounding the company's new political role and responsibilities. Chapter 3 draws on scholarly work in in political philosophy (Habermas, 1998b; Habermas, 2001; Young, 2004; Young, 2006) as well as subsequent works in political CSR (Mena & Palazzo, 2012; Scherer & Palazzo, 2011) to shed light on the previously identified ambiguity around the scope of the company's political responsibility and the basis of corporate legitimacy. It enables to depict the limits of upstreaming political responsibilities based on Young's (2006) parameters for reasoning and delineates the fragile basis of company's licence to operate with regard to Mena and Palazzo's (2012) criteria for input and output legitimacy. Chapter 4 draws on these findings to conceptualize a corporate response model to institutional demands for political CSR which reveals a rather more complex and dynamic picture of MNCs' responses than that presented in the extant literature. Notably, it sheds light on the instrumentally motivated nature of the company's response, underlying power relationships and identifies previously unidentified responses such as compromise, internal buffering, defiance, and manipulation

[10] The first version of this bookchapter was published in Spanish in 2010 before Scherer and Palazzo's extensive literature review with a new societal frame of reference for theorizing came out in 2011

strategies. Collectively, these studies expose, both empirically and conceptually, the workings and shortcomings of a relatively new but influential phenomenon and in this way differentiates itself from previous research.

The above presented challenges associated with the phenomenon are even expected to becoming more prevalent and consequential over time, which present many challenging avenues for future research. The ascendency of neo-liberal ideology, and associated privatization of traditional government activities, as well as a governance void at the global level and in many developing countries, push MNCs increasingly to address public goods issues and business regulation (Scherer & Palazzo, 2011). Furthermore, the pervasive spread of rationalizing trends in society, such as the increasing emphases on accountability and transparency and the growing influence of managerial sciences, force organizations to align their 'words and deeds' and actually implement and measure their CSR policies (Bromley & Powell, 2012). Thus, questions related to the scope of these political responsibilities and the legitimacy of this involvement for both the company and democracy at large – particularly in the context of corporate malpractice – will become even more pressing. In my opinion, this presents not only an opportunity for future research but also a moral imperative for management scholars to address more closely issues related to environmental and social problems. There is no doubt that MNCs cannot solve these issues alone or turn into welfare organizations. Yet, the failure of solving persisting social and environmental problems cannot be attributed to technical problems solely, but to managerial or organizational failures which are not seldom related to instrumental interests or even greed. Hence, the study of this phenomenon can be particularly relevant to the solution of persisting social and environmental problems.

5.1. Limitations and future research

Altogether, this thesis has brought to the fore some main themes, which could lead the way for further studies. These themes relate to societal impact, accountability, and ambiguity, visually presented in Figure 4.

Figure 4 Overarching patterns across the three research studies

This thesis has also limitations that should be taken seriously. In the following I will discuss how future research can build on these themes and limitations.

5.1.1. Societal impact

The effectiveness of achieving desired societal outcomes emerged in this thesis as a main concern of affected stakeholders and the studies provided first important insights into this underresearched area. Future work should further examine the effectiveness of the actual achievement of desirable societal outcomes and in this way test one of political CSR's main assumptions: that corporations should operate as new providers of public goods that transcent corporate economic ends. In other words, future studies should also go beyond the business case (searching for the positive impact for the corporation) and examine if political CSR practices effectively solve societal problems. As a starting point, future studies can address the following limitations of this thesis.

The main limitation of this thesis is that it deals with a specific, extreme case that can be indicative of, but not conclusive regarding different industrial and geographical contexts. While the case of Shell offered a unique opportunity to yield rich insights into the respective areas of study, the nature of the company's controversial core business is unique for its inherent social and environmental risks. Thus, it would be important to examine if other, less controversial industry sectors might be more effective in achieving societal outcomes. The effectiveness of achieving societal goals might also vary considerably across different industry sectors since CSR practices can be more or less related to the company's core business and thus competencies. With regard to the later, Valente and Crane (2010) developed for example a public responsibility matrix in which corporate strategies are categorized along the relation to the firm's core operations (Valente & Crane, 2010). In sum, given that the normative goal of political CSR's is the provision of public goods and the fact that this thesis has focused only on the extractive industry sector, future studies should examine the effectiveness of MNCs in adressing societal issues in different industrial and geographical settings to corrobate the arguments advanced here. A fruitful avenue for future research could also include the synthesis of multiple case studies in an effort to systematically map conditions and processes. Admittedly, future researchers have to deal with the challenge that public goals are a complicated area to measure. Specifically in the realm of socioenvironmental governance, goals are intially provisional and inherently contested due to the different and sometimes colliding interests in regulating global issues such as deforestation (Haack & Schoeneborn, 2015).

Efforts at measuring the effectiveness on social outcomes have been increasing nevertheless in other areas and can inspire future political CSR scholarship. For example, in the area of social entrepreneurship exists a burgeoning literature on social impact indicators, blended value, and social return on investment (Dees, Emerson, & Economy, 2002; Emerson, 2003; Lingane & Olsen, 2004; Nicholls, 2009). Also, impact investing, with its emphasis on measureable social and financial impact, is generating increasing interest among academics and can be worth of examination for future research in the area of political CSR's societal impact.

A second challenge of this thesis is the access to company data particularly with regard to the negative societal impact and sensitive information related to power relations and instrumental reasoning. While interviews with Shell employees provided valuable insights and guided the investigation, statements could eventually not be included due to confidentiality reasons. Since political CSR scholarship also neglects the individual level of analysis (Frynas & Stephens, 2014), future research should focus more on this individual and organizational level of analysis. Other scholars have shown that the internal perspective of the corporation is vitally important to gaining an understanding of the company's strategies and response determinants. For example, Pache and Santos (2010) take into account intraorganizational political processes and show that internal representation is one important factor for the mobilization of various response strategies. Also, Basu and Palazzo (2008) depicted the degree of stakeholder integration into corporate decision-making and organizational sensemaking as a determining factor. Longitudinal research using participatory and ethnographic research methods would be of great value, although it would be challenging to achieve due to the before-mentioned confidentiality issues.

5.1.2. Accountability

Accountability has emerged as another key dimension in this PhD thesis. Main affected stakeholders as well as civil society organizations call for more account-giving of powerful MNCs such as Shell – particularly in the face of organizational misconduct. Notably, they question the self-regulating nature of political CSR initiatives that – in the face of a governance void – yield enourmous power to MNCs. Corporations that engage in self-regulating initiatives not only perform a legislative role, but also an executive and judicative function, since none of the prevailing standards is endowed with formal monitoring or enforcement systems. Thus, self-regulation allows its subjects to both design and enforce the rules themselves (Haufler, 2001, p. 8). It increases their power enormously compared to those of nation-states, which are controlled by democratic processes and structures based on the rule of (formal) law and the separation of powers. In this context, the thesis has revealed the enourmous power of oil companies such as Shell in both its home and host country and its strategic use for instrumental benefits. These insights are critical since the increasing political engagement of MNCs in traditional government activities and associated softer (voluntary) and indirect modes of steering are not matched with corresponding corporate accounability mechanisms that guarantee a democratic control of powerful MNCs. So far political CSR research has exclusively focused on process of legitimation (Frynas & Stephens, 2014) based on self-regulating initiatives. For example, political CSR scholars identified at the organizational level patterns of legitimacy management over time (Baumann-Pauly, Scherer, & Palazzo,

2015) and examined criteria for the evaluation of (input and output) legitimacy of MSI (Mena & Palazzo, 2012). Furthermore, exemplary cases of political CSR such as the FSC have been criticized for a lack of 'input legitimacy' criteria such as transparency (Edward & Willmott, 2011) and weak performance with regard to 'output legitimacy' criteria such as coverage, efficacy, and good enforcement and monitoring of rules (Moog et al., 2015). Thus, future research should go beyond the question of legitimacy and conceptualize a 'political' model of corporate governance (Scherer & Palazzo, 2011, p. 921; Whelan, 2012, p. 709) with clear accountability mechanisms for aligning MNCs' decision making with the interests of their diverse citizenries.

Future researchers taking on this endeavor should take into account how power relates to accountability mechanisms. While this thesis has shed light on underlying powerrelationships, more research is needed on how power operates in institutional settings to create, maintain or delegitimize institutions that aim to impose more stringent regulations and control on MNCs. While the criticality of power is still underresearched in organization theory in general (Barley, 2010; Clegg, Courpasson, & Phillips, 2006; Courpasson, Arellano-Gault, Brown, & Lounsbury, 2008; Lounsbury, 2003; Martí & Mair, 2009) and with regard to institutional dynamics in particular (Lawrence & Suddaby, 2006; Lawrence, 2008), it goes totally understated in the political CSR literature. Future research could lend itself to insights from institutional entrepreneurship (DiMaggio, 1988; Maguire, Hardy, & Lawrence, 2004; Munir & Phillips, 2005) where powerful actors use the resources at their disposal to maintain or create new institutional orders. Also, future research could go beyond individual actors or organizations and look at how power operates hegemonically in settings such as in postcolonial ones, where the values of the colonial power are routinely privileged in interpreting, framing, and addressing important issues (Khan, Munir, & Willmott, 2007). Future studies could also distinguish systemic forms of power (e.g., domination and discipline) from episodic power (e.g., force and influence) (Lawrence, 2008) and how actors might be able to resist institutional control and agency (see also Lukes, 2004).

Another avenue for research for more accountability is reconsidering the role of the state. This thesis has shown that the 'sticks are back out'. A precedent has been set when Shell was hold liable by its home governments in the UK and the Netherlands for environmental degradation in the Niger Delta. Also current legal initiatives in the area of revenue transparency such as the EU directive and the Dodd-Frank Act in the US demonstrate that the state is not only willing, but also able to hold business to account for their practices beyond national boarders. Other scholars show as well, that states could sometimes use a variety of interrelated technological developments to better enforce (variable) social norms. For instance, Earth observation technologies such as Google Earth could help states to better enforce environmental legislation (Purdy, 2009). In the same line of thought, Whelan (2012) asserts that the "nation-state continues to be an institutional form that possesses significant strength on a global scale" (Whelan, 2012, p. 715) as "1) powerful states remain capable of resisting and directing internet MNCs; 2) there is little evidence of a 'race to the bottom'; and 3) some MNCs (purport) to support a stronger role for states in certain regards" (ibid). While legal and political science scholarship affirm an increased importance of non-state actors and private self-regulating initiatives in global governance (e.g. Abbott & Snidal, 2010; Bernstein & Cashore, 2007; Braithwaite & Drahos, 2000), political scientists also suggest that state power not only remains strong, but continues to be a necessary precondition for successful economic globalization (e.g. Evans, 1997; Kim & Global Policy, 2013; Weiss, 2000). Furthermore, CSR scholarship provides mounting evidence that CSR can be very attractive to governments for two reasons. First, they can serve as a complement or substitute to government efforts and they can legitimize government policies (Moon, 2002). Second, national governments can reassert power with regard to CSR by influencing MSI, sustainability reporting and CSR standards (Frynas & Stephens, 2014). For instance, Indonesia launched in 2007 corporate and investment laws in 2007 that required companies to implement social and environmental responsibilities (Waagstein, 2011), the Chinese government attempts to promote its own version of CSR through a plethora of guidelines and regulations since 2006 (Marquis & Qian, 2014), Denmark launched in 2008 and 2012 the National Action Plans for CSR (Knudsen & Brown, 2015), and India's Companies Act 2013 requires large companies to spend 2% of their profits on CSR related activities (Kumar, 2014). Thus, in face of this increasing empirical evidence that states are often capable of legally and/or hierarchically directing the activities of MNCs (or elements thereof), I encourage future researchers in line with other scholars (Frynas & Stephens, 2014; Whelan, 2012) to re-examine the role of the state with regard to encouraging or enabling different political CSR practices and thus providing more accountability to the various sustainable development and human rights problems commonly associated with MNCs. In this way, future studies should also critically analyse one of political CSR's main assumptions – that states suffer diminished capacities as a result of de-territorialized phenomena (Matten & Crane, 2005, pp. 172-173; Scherer & Palazzo, 2008, pp. 423-424) and the blurred boundary between the private and public shpere (Scherer & Palazzo, 2011). To advance future political CSR-related scholarship, insights from political theory and political science should be applied in a more systematic way, "beyond their current use by political CSR scholars, who at present largely apply political theory in a very selective manner in order to justify the power of non-state actors in a globalizing economy" (Frynas & Stephens, 2014). In sum, I fully agree with Frynas and Stephens' conclusion that a "reassessment of the role of the state presents an important challenge for future political CSR researchers, as it may lead to a richer understanding of the actual political influence of companies, the companies' role within global governance or the nature and effectiveness of new hybrid forms of social and environmental regulations" (Frynas & Stephens, 2014).

A third way for future research to address the emerging theme of accountability could be the development a governance framework from the perspective of main affected (but often marginalized) stakeholders that can enable a more responsive and accountable approach to political CSR. In detail, this framework could identify tools and processes, which can be used by affected stakeholders to hold MNCs to account for their political engagement in the delivery of public goods and regulation. This could be approached from a practice perspective (Bourdieu, 1990) on corporate social responsibility practice in order to focus on how the management of CPR is actually done/or suggested to be done by affected stakeholders The term 'practice' should thus be used in an Aristotelian sense of praxis as opposed to nature. In other words, practice relates to areas of human life that do not simply exist by themselves but are created, changed and improved by human actions.

The inclusion of affected stakeholders' positions regarding unacceptable impact or to advance possible remedies sought by external stakeholders would not only allow affected stakeholder groups to press for accountability, but also help companies to focus on the right practices for managing their political role and responsibilities. In this sense, it would also provide insights into how MNCs can successfully manage such political responsibilities while still respecting their economic mandate to run a profitable business. Thus, this accountability approach to political responsibilities of MNCs would address the call for a 'political' model of corporate governance (Scherer & Palazzo, 2011, p. 921; Whelan, 2012, p. 709) with a clear mechanism that deliberatively aligns MNC decision making with the interests of their diverse citizenries (Crane et al., 2008, p. 84) and depict the right practices for managing social and environmental issues from an empirical perspective (Scherer & Palazzo 2011). Furthermore, it would address particularly the previously mentioned call from scholars to shift the predominant scholarly focus from finding a positive relationship between CSR and financial performance (dependent variable = outcome for corporation) to exploring the effects of political CSR on outcomes for society (dependent variable = outcome for society) (Banerjee, 2007).

Ambiguity

A third theme that emerged from this thesis is ambiguity. While this thesis and other scholars have attempted to clarify the conceptual underpinnings of political CSR, there is still no consensus on the very definition or boundaries of political CSR. In this context, Frynas and Stephens bewail (2014) that scholars have attempted to appropriate the meaning of the term 'political CSR' for a narrow research agenda. For example, authors have exclusively focused on changes in global governance to distinguish between instrumental and political CSR (Scherer & Palazzo, 2011), or differentiated between 'Habermasian political CSR', 'Rawlsian political CSR' and 'political CSR' (Whelan, 2012), and between 'political CSR' and 'new political CSR' (Mäkinen & Kourula, 2012). There is also no agreement how political CSR relates to globalization. On the one hand it is conceptualized as a 'consequence of globalization' (Scherer & Palazzo, 2011) and on the other hand as an 'institutional form of globalization' (Whelan, 2012). In sum, political CSR research is still hamstrung by considerable conceptual ambiguities, conflations and a narrow research agenda.

I suggest that future research should broaden the meaning of political CSR based on a more pluralist and inclusive research agenda and critically review and theorize political CSR research at different levels of analysis. One approach could be the application of Alvesson and Sandberg's (2011) novel methodological principles to challenge and problematize the implicit and explicit assumptions and boundary conditions. In this way, future research should flesh out blind spots and exclusions along with the inconsistencies, contradictions, conflicts, and tensions that political CSR may entail, and evaluate the articulated assumptions against both empirical evidence and critical and reflexive literature with different theoretical stances and resources (Alvesson & Sandberg, 2011). The critical reflection on the normative underpinnings and the integration of different perspectives on political CSR are particularly important for future research because "if a theory is to be properly used or tested, the theorist's implicit assumptions which form the boundaries of the theory must be understood" (Bacharach, 1989, p. 498). In this sense, future research should embrace a critical and more inclusive pluralist research agenda including the role of state, non-state actors and MNCs' instrumental concerns, among others.

Another point of reference for this research avenue could be a recent review on corporate political activity (Lawton, McGuire, & Rajwani, 2013). Very much aligned with the findings of this thesis, the authors depict the domains of the political impact as follows: (1) deliberate attempts to influence governments in order to gain firm-specific competitive advantages; (2) sometimes unintended side effects of corporate practices on the development of institutions (e.g. in 'institutional voids'); and (3) reactive strategies which try to influence the external political environment (ibid). Other scholars have already taken up this more inclusive and pluralist approach and "refer to political CSR as activities where CSR has an intended or unintended political impact, or where intended or unintended political impacts on CSR exist" (Frynas & Stephens, 2014, p. 3). This research approach could be a fruitful avenue for future research as it would answer the call to for "a new research agenda for theory-informed political CSR research in terms of reassessing the role of the state" (Frynas & Stephens, 2014, p. 20; Whelan, 2012) as it includes scholarly evidence on governments' involvement as an enabling and empowering facilitator of CSR (e.g. Denmark; Knudsen & Brown, 2015; Vallentin, 2015;

Vallentin & Murillo, 2012) and increasing concern of the negative impact on the public good when irresponsive and irresponsible governments collude with narrow business interests under the smokescreen of CSR as this thesis and other scholars (e.g. Banerjee, 2011) have shown.

Altogether, I hope that this thesis has provided not only insights into a predominantly normative and underresearched topic, but also guidance and encouragement for researchers wishing to explore this important, ambitious and fascinating new frontier.

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Appendices

Appendix 1. Acceptance Rate of teaching cases at the Journal of Business Ethics

From: Loren Falkenberg <falkenbe@ucalgary.ca>
Date: Tuesday, January 7, 2014 11:38 AM
To: Judith Schrempf <judith.stirling@richmond.edu>
Subject: RE: Acceptance rate of teaching case studies at JBE

Hi Judith

As the case editor I reject about 90% of the cases that are submitted. Generally I reject around 80% as desk rejections and the other 10% are after review. Does this information help?

Cheers

loren

~~~~~~

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Appendix 2. Teaching Case "Mind the gap: Royal Dutch Shell's sustainability agenda in Nigeria"

Winner of OIKOS Global Case Writing Competition in 2012

First prize in the corporate sustainability track

Link: http://backup.oikos-international.org/academic/cwc/results-2012.html

Key Words: Corporate Social Responsibility, Political Role of MNC, Public Responsibility Strategies, Corporate Legitimacy, Democratic Control of Corporations, Developing Countries, Globalization, Sustainability

Courses: Strategic management, international management, legal ethics, business and society,

Target Audience: MBA, Graduate Students

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SYNOPSIS

Royal Dutch Shell has started to assume social and political responsibilities that go beyond legal requirements and fill the regulatory vacuum in global governance and a public responsibility gap in Nigeria. Which implications does this engagement have for the firm, governance and democracy? And which public responsibility strategies can a multinational company (MNC) like Shell employ in a complex operating environment such as Nigeria to be sustainable? This case explores the implications of Shell's politicized role in a context where a regulatory governance framework is missing at the local and the global level. Additionally, the case discusses different public responsibility strategies that MNCs such as Shell can employ in a complex operating environment such as Nigeria. This case study is interesting as it fleshes out what constitutes Shell's role under the conditions of globalization and a local public responsibility gap and what are the consequences of the company's engagement in global governance and self-regulation. It also creates an understanding of the challenges which organizations in controversial industry sectors face in a context of increasing demands for sustainability.

STORY

Mutiu Sunmonu faced a difficult situation. As the Country Chair of Shell Companies in Nigeria, Managing Director of the Shell Petroleum Development Company of Nigeria (SPDC), and Regional Vice President Production, he encountered mounting criticism and legal challenges over SPDC's operations in the Niger Delta which questioned the legitimacy, credibility and eventually continuity of the company in the region (see Exhibit 1).

The 2011 United Nations Environment Program report based on a scientific assessment criticized SPDC's inadequate oilfield infrastructure and clean up of oil spills, which did not meet local regulatory requirements, SPDC's own procedures nor international best practices. From the legal side, Shell faced in the same year parliamentary hearings by Dutch lawmakers over its operations in the Niger Delta, and, in the first case of this kind, a legal claim brought in the UK for two massive oil leaks in 2008/09 as a result of equipment failure. Oil production levels and by extension corporate profits continued to be negatively affected due to sabotage of pipelines and continuing attacks on oil installations despite the 2009 Amnesty program. On top of this, the likely upcoming fiscal and legal reform (Petroleum Industry Bill or PIB) in Nigeria was expected to redefine investor relationships detrimental to the interests of foreign oil firms and in particular of Shell. Augmenting these risks was an unstable political structure since president Umaru Musa Yar'adua's death in May 2010 and a continuing public responsibility deficit since the commencement of the company's operations in the country.

It is likely that Shell questioned the future of its operations in the country as the company faced a legitimacy and credibility crisis. Also, the "erosion of the business and operating environment in Nigeria could adversely impact [the company's] earnings and financial position". A newspaper article in the Guardian UK revealed that when once faced with a similar decision over the Ogoni issue in the mid 1990s, Shell decided that pulling out seemed to run against the company's economic interests and commitment to advance social and economic development in the country. At that time, Shell decided to adopt a sustainability agenda to protect their license to operate, which went beyond traditional philanthropy or corporate social responsibility (CSR) programs and placed the company in a quasi-governmental role with by then unknown consequences on their responsibilities and legitimacy. "Shell's future dilemma lies in the balancing between these two types of organization" – the ideal-type 'action' and 'political' organisations. This time, if the company decided to stay, Shell would have to consider a redefinition of its CSR strategy in the realm of public responsibilities.

Royal Dutch Shell

The multinational corporation

Royal Dutch Shell was formed from the 1907 merger of the British-based Shell Transport Trading Company and the Netherlands-based Royal Dutch Petroleum Company into a single group. Both parent companies traced back their origins to the Far East in the 1890s seizing the opportunity for supplying kerosene from the newly developing Russian oilfields to markets in the Far East and China and the growing demand for oil for the automobile industry and oil-fuelled ships. In 2005, Royal Dutch Shell plc became the single parent company of the two former public parent companies. The company was headquartered in Den Hague (the Netherlands) and registered in England and Wales.

Shell was Europe's largest oil producer, the third most profitable company worldwide in terms of revenues in the petroleum refining industry (Exhibit 2) and the third most profitable company worldwide (Exhibit 3). Also, it was the third largest Multinational Company (MNC) in the world measured against its foreign assets in 2007 / Royal Dutch Shell employed over 101.000 people and operates in over 90 countries.

Shell applied a single overall control framework (Exhibit 4) to all wholly owned Shell companies and to those ventures and other companies in which the company, directly or indirectly, had a controlling interest. The aim was to manage risk of failure to achieve business objectives.

Shell companies in Nigeria

Shell began exploring for oil in West Africa in the 1930's. The company discovered oil in the Niger Delta in 1956. Since Shell was a partly British company in a British colony, the company received the first oil concessions and was the first major oil company to commence oil production there in 1958. Nigeria continued to be a cornerstone of Shell's operations. In 2009 Shell Petroleum Development Company of Nigeria Ltd (SPDC) contributed around 9% to Shell's global oil and gas production.

In Nigeria, there were four Shell companies. SPDC was a wholly owned Shell company that operated oil and gas production on behalf of the partners of an unincorporated joint venture between the government-owned Nigerian National Petroleum Corporation (55%), Shell (30%), Elf Petroleum Nigeria Ltd (10%) and Agip (5%). SPDC was Nigeria's largest onshore producer. Investments in the joint venture proceeded in accordance with a 'cash call system'. Representatives of the venture partners would agree on a proposed investment plan and contributed funding in proportion to their respective equity stake. A consultant for Shell noted, however, that the Nigerian government was not always complying with their part and many planned investment projects such as ending gas flaring could not be accomplished. The second wholly-owned Shell company was Shell Nigeria Exploration and Production Company Ltd (SNEPCO) which developed since 1993 Nigeria's energy resources offshore. The company produced oil and gas in water depths up to 2,500 meters and established in Bonga Nigeria's first major deep-water project. Within the current divestment strategy, the company was divesting from some of its onshore holdings - the three oil blocks in the Niger Delta - Oil Mining Lease (OMLs) 4, 38 and 41 and planned to move most of its production offshore. The appeal of extracting petroleum offshore lay in its relative spatial isolation from community pressure and violent attacks on its oil installations. The wholly-owned Shell company Shell Nigeria Gas Ltd (SNG) was set up in 1998 and operated a gas transmission and distribution pipeline network. And the fourth Shell company, the Nigeria Liquefied Natural Gas Company (NLNG), was set up in 1989 and ran one of the world's largest LNG plants. Shell held a 25.6% interest in NLNG, together with NNPC, Total LNG Nigeria Ltd and Eni.

The parent companies Royal Dutch and Shell Transport and Trading did not directly engage in operating activities, but acted as the financial and strategic centers of the company. Day-to-day oil operations were carried out by Shell operating companies, which were assisted by service companies based in the UK and the Netherlands in areas such as research and development. Also CSR policies were cascaded from the headquarters to business units down the supply chain, but the business unit level decided on their reach and scope and use existing projects budgets for their funding.

The launch of Shell's sustainability agenda: keeping the social license to operate

Shell was a front-running company in the area of CSR and became in 1997 the first among the oil multinationals to declare publicly its support for the Universal Declaration of Human Rights. The World Business Council for Sustainable Development website presented the case of Shell's community development projects in Nigeria as a positive case study of CSR. Also, SPDC was voted "Best Company in most Innovative CSR" in 2011 at the Nigeria CSR awards, known as The Social Enterprise Report and Awards (The SERAs). Corporate Affairs Tony Attah commented that "the award is a strong acknowledgement of the work we're doing in the Niger Delta, positively touching lives and helping to develop communities. And we are encouraged to do more."

The origins of the company’s social performance agenda essentially lay in Nigeria. The protests against Shell’s poor environmental and human rights record in Nigeria and eventually the company’s alleged implication in the hanging of Ken Saro-Wiwa in the mid 1990s (Exhibit 5) seriously threatened SPDC’s social license to operate and thus its access to the country’s oil reserves along with its long-term commercial interests.

Shell executives soon realized that the company had grown out of touch with societal expectations. Mark Moody-Stuart, then Managing Director, stated in this situation “we had to take a good look at ourselves and say ‘Have we got it right?’” Secret documents (see Exhibit 6) even revealed that Shell considered leaving the country in the wake of Saro-Wiwa’s death, but decided in favor of the scenario "milking the cow". The "pull-out" scenario was seen as "giving in" or "caving in" which would set a "very negative precedent for the group" and "issues of liability [would] not disappear even with a total withdrawal."

As a response the company embarked on a comprehensive review of its attitude and activities. At the corporate level, Shell’s newly articulated core values - honesty, integrity and respect for people – provided the basis for a Statement of General Business Principles adopted in 1997. The eight principles integrate economic, environmental and social considerations into business decision-making and depict five inseparable areas of responsibility to shareholders, customers, employees, business partners and society. The Principles committed the company to an apolitical role and stated that Shell “companies should endeavor always to act commercially, operating within existing national laws in a socially responsible manner and avoid involvement in politics”. Shell also developed Human Rights Compliance Assessment (HRCA) tools, which provided a step-by-step approach to assess all potential risks to violate human rights and offered training to employees on Shell’s Business Principles and Code of conduct and for managers a special supplement to understand their responsibilities and take action to support human rights. In the area of biodiversity, Shell aimed at conserving ecosystems through partnerships and new technologies. Shell also decided to go ‘green’ and founded in 1997 Shell International Renewables (SIR) with a focus on wind power, solar energy, and hydrogen. With regard to transparency, the company was a supporter of the Extractive Industries Transparency Initiative (EITI), integrated a commitment to business integrity and transparency in its General Business Principles (since 1976) and Code of Conduct (since 2006) and reports in accordance with the Global Reporting Initiative (GRI) and in line with the International Petroleum Industry Environmental Conservation Association (IPIECA) guidelines. The company also established both internal controls such as audit trails and statistical checks and external controls with the help of an external review committee and well-established auditing firms to ensure the credibility of the report. Corporate governance structures were also revised. Due to the importance of Nigeria for Shell in terms of complexity of the local operating environment and the volume of oil production, a permanent Nigeria team was installed at the headquarters level. Corporate responsibility governance structures were also put in place at the Board of Royal Dutch Shell plc. The Corporate and Social Responsibility Committee (CSRC) assesses Shell's policies and performance with respect to the Business Principles, Code of Conduct, Health, Safety, Security, the Environment (HSSE) and Social Performance (SP) standards and major issues of public concern on behalf of the Board of Royal Dutch Shell plc. (see Exhibit 7).

At the global level, Shell supported international human rights initiatives such as the Global Compact, the UN Special Representative on business and human rights John Ruggie, and the Voluntary Principles on Security and Human Rights. With regard to the latter, Shell introduced a clause on these principles to all new and renewed security contracts and expected them all to contain it by 2012. Shell's engagement in global partnerships to fight HIV/AIDS included UNAIDS scenarios development and the Global business coalition on HIV/AIDS. The company also signed the 2002 World Bank initiated the Global Gas Flaring Reduction Partnership (GGFR), joined the Environmental Defense's Partnership for Climate Action and committed themselves to reduce emissions to 1990 levels by 2010. Together with BP, they were the only companies listed in KLD Research and Analytics' Global Climate 100 Index, the first investor index comprised of companies focusing on solutions to global warming. The company furthermore, provided throughout the year information to the Dow Jones Sustainability Indexes, FTSE4Good, and the Carbon Disclosure Project.

At the local level in Nigeria stakeholder engagement via dialogue and partnering was a cornerstone of Shell's strategy "of being a good neighbor". Community development projects were channeled indirectly through the Shell Foundation, an independent charity that focuses on poverty and environmental charities and directly through national programs. These included education and skills development, health and safety, the environment, and social cohesion. In the area of health, Shell's company-wide HIV/AIDS program provided medical treatment for employees affected by HIV/AIDS, as well as education and prevention programs for employees, their families and communities. At the local and global level Shell worked in partnerships to fight the HIV/AIDS epidemic. Shell spent US$106 million on 'social investment' in 2004, although this still represents less than 0.6 per cent of its net income. Shell's CSR initiatives relating to community development underwent significant change from ad hoc 'assistance' to development partnerships with government agencies and NGOs. This change was an attempt to enhance the legitimacy and efficacy of its CSR approach and to dispel communities' perceptions from the politicized role it adopted when stepping into a public responsibility vacuum and becoming "the only government they [the communities] know".

Nigerian paradox of want in the midst of plenty

Nigeria had come to exemplify the resource curse (see Exhibit 8). Five decades of oil extraction in the country resulted in failed development, poverty, corruption, environmental degradation, ethnic and gang violence, kidnappings, and the like.

Oil wealth: economic and social performance

In 2010, Nigeria had the second largest oil reserves in Africa and was the continent's primary oil producer. In the same year, total oil production in Nigeria was slightly over 2.46 million bbl/d and crude oil production averaged close to 2.15 million bbl/d (see Exhibit 9). Planned upstream developments would increase Nigerian oil production in the medium term but the timing of these startups would depend heavily on the fiscal/regulatory terms of the proposed Petroleum Industry Bill (PIB). Foreign companies operating in joint ventures (JVs) or production sharing contracts (PSCs) with the Nigerian National Petroleum Corporation (NNPC) included ExxonMobil, Chevron, Total, Eni/Agip, Addax Petroleum (recently acquired by Sinopec of China), ConocoPhillips, Petrobras, StatoilHydro among others. Shell operated the most nameplate crude oil production capacity, estimated to be between 1.2-1.3 million bbl/d.

In 2010, Nigeria exported approximately 2.2 million bbl/d of total oil and 1.8 million bbl/d of crude oil. Over 40 percent of the country's oil production was exported to the United States, 20 percent to Europe, 17 percent to Asia, 8 percent to Brazil, and 4 percent to South Africa (see Exhibit 10).

In the wake of the discovery of high quality oil in the Niger Delta and the prospect of ever-increasing oil prices, the oil industry became central to the Nigerian economic profile. In 2010, the oil sector provided less than 25% of GDP and accounted for approximately 95% of export earnings and 80% of government revenue. Also Foreign Direct Investment (FDI) inflows were heavily focused on the oil industry. During 2005 to 2009 only the joint venture operated by SPDC contributed about $36 billion to the government.

However, oil dependence had also its dark side. While this sector provided high government revenues, employment, contracts and income for individuals and Nigerian companies the petroleum 'monoculture' rendered the economy highly sensitive to external shocks and hindered the emergence of internal sources of growth. For example, during the global financial crisis the decline in oil revenue turned the fiscal balance from a surplus of 3.7 percent of GDP in 2008 to a deficit of nine percent of GDP in 2009.

Also, oil wealth was not translated into social development. The United Nations Educational, Scientific and Cultural Organization reports in 2010 that even at peak production, 92% of the Nigerian population survive on less than $2 a day. Also, in 2007 Nigeria's Human Development Index (HDI) was as low as 0.511, which gave the country a rank of 158th out of 182 countries and renders unlikely to achieve any of the Millennium Development Goals (MDGs) by 2015. In 2011, even more people lived in poverty than before oil was found and the rural and oil producing communities were most affected. Also, Nigeria suffered from a high adult illiteracy rate, poor quality of education and serious health challenges. Malaria was considered the most significant public health problem and Nigeria was the second most affected country by the global health crisis HIV/AIDS.

Governance

Nigeria is a synonym of a 'rentier state' where state revenues accrued from taxes or 'rents' on production rather than from productive activity. As a consequence, the government focused its efforts on controlling these resource rents and failed to set in place a robust tax system and with it to develop a system of formal accountabilities to secure domestic legitimacy. Instead the regime secured elite compliance and furnished instrumental benefits to politically strategic communities awarding public goods and services, employment opportunities, and lucrative government contracts among others. This patronage system was essentially established along ethnic and religious lines and thus marginalized and excluded mostly southern groups and non-Muslim northern minorities.

The government dependence of oil broke the link between authority and territoriality leading to neo-patrimonial governance and corruption. Nigeria's anticorruption chief claimed, for instance, that 70 percent of the country's wealth was stolen or wasted in 2003. Also Shell's former Senior Vice President Ann Pickard voiced her concern to US Ambassador Robin R. Sanders that "corruption in the oil sector was worsening by the day. […] Nigerian entities control the lifting of many oil cargoes and there are some "very interesting" people lifting oil (People, she said that were not even in the industry). As an example she said that oil buyers would pay Nigerian National Petroleum Corporation (NNPC) General Managing Director Yar'Adua, (Note: not related to President Yar'Adua. End Note) Chief Economic Advisor Yakubu, and the First Lady Turai Yar'Adua large bribes, millions of dollars per tanker, to lift oil" (U.S. Embassy Abuja, 2009). The pervasiveness of corruption in Nigeria is corroborated by independent corruption indexes. For example, Transparency International, an anti-corruption non-governmental organization, ranks Nigeria 134 (same as Zimbabwe and Bangladesh) out of 178 countries in its 2010 corruption perception index in 2010. The country ranking of the Transparency International Index is further appreciated through the World Bank Anti-Corruption and Governance Index (see Exhibit 11).

Government reform

In the last years, the Nigerian government started to demonstrate commitment to inculcate a culture of honesty and transparency in the public and private sector through the Corrupt Practices and other Related Offences Act 2000 and the incorporation of EITI into national law in 2007. The initiatives helped shape the quality of reforms and significantly increased understanding and transparency of the oil sector. Also, Nigeria has made efforts to increase revenue transparency and in March 2011 was judged to be compliant with the EITI. Yet, EITI also received its fair share of criticism from an interviewee from the Revenue Watch institute for it did not actually drive reforms but instead piggy-backed on other existing initiatives. Also, a 2005 audit report released in 2009 highlighted unprecedented financial discrepancies, mispaid taxes, and system inefficiencies.

In September 2007, the Oil and Gas Reform Implementation Committee (OGIC) also proposed the most comprehensive review of the legal framework for the oil and gas sector in Nigeria since the industry began commercial operations in the 1960s. This Petroleum Industry Bill (PIB) was designed to reform the entire hydrocarbon sector to increase the government's share of revenue; increase natural gas production; streamline the decision making process by dividing up the different roles of NNPC including the creation of a profit-driven company; privatize NNPC's downstream activities; and promote local content. The Bill would also provide for a greater share of oil revenues to the producing communities and expand the use of natural gas for domestic electricity generation. While parts of the Bill have recently been approved as stand alone laws (such as the Nigerian Content Development Bill or NCD in 2010), differing versions of the PIB were still debated, especially around more contentious points such as the renegotiation of contracts with international oil companies, the changes in tax and royalty structures and clauses to ensure that companies use or lose their assets. The multinationals' primary point of dissent appears to be the new fiscal terms, which they describe as 'harsh enough to stall investments'. Led by Shell, the multinationals argue that "Nigeria's oil and gas production has not only failed to grow, it has fallen every year since 2005." They blamed the situation on "hostile policy regimes and harsh fiscal terms," adding that "the Petroleum Industry Bill is a clear example of such." Also a leaked embassy cables revealed, “the IOCs are quite concerned about the "very flawed" new petroleum sector energy bill” and “that Shell had more exposure to the loss of acreage than any other company”. “We could lose 80 percent of our acreage,” [Ann Pickard] said.

Political role and power of MNC

Professor William D. Graf of the University of Guelph claimed that the discovery of oil transformed the political economy and power relations in Nigeria. As the government heavily depended on oil revenues and the “production depends […] on techniques, expertise, investments – and markets generated outside the territory controlled by the state“, international capital – typically in the form of MNCs – dominated all aspects of exploration, production, and marketing. Also Bronwen Manby, senior program advisor with the Africa Governance Monitoring and Advocacy Project, found that the economic power of MNCs had been translated into political power to the extent that “oil companies actively pressure the government regarding such things as tax laws.” For example the PIB seemed to grant more favorable terms to Shell and its rivals than originally imagined after much internal ‘lobbying’. A lawmaker who is a member of the three committees in the Senate handling the bill told Daily Trust that they were put under intense pressure from the Presidency to accommodate some of the demands of the oil majors. “Our intention was to pass the bill as send to us by the late President Umaru Musa Yar’adua but these companies put us under intense pressure, they even got the American government to intervene on their behalf. Shortly after his return from the United States early this year when he was acting, President Jonathan requested that the provisions of the bill be reviewed after which he asked the leadership of the two chambers to look at the issue of tax and reduce it to allow for “investment” in the sector,” he said. In the same line of thought an activist from the NGO social action claims “(…) and the officers, they would rather take their mother to court than confront Shell. With the bribes, they will give judgments in favor. So there is (…) The ordinary people. The voiceless people. (…) Shell is the big oil company, the company that has so much influence on the government (…).” An academic researcher working at the Revenue Watch Institute in Abuje adds that they do so by “bribing parliament members and paying them trips to conferences to Ghana and the US,” in which the new regulatory framework governing investment (Petroleum Industry Bill) in Nigeria was discussed. They also directly infiltrate the government seconding people to relevant ministries who work in favor of Shell. An interviewee from the African Network for Environment and Economic Justice agrees to these allegations.

The political bearing that the oil industry enjoys in Nigeria had also been observed by various actors. An activist from Social Action Nigeria claimed, "Shell and the government of Nigeria are two sides of the same coin. (…) Shell is everywhere. They have an eye and an ear in every ministry of Nigeria. They have people on the payroll in every community, which is why they get away with everything. They are more powerful than the Nigerian government." The criticism was echoed by Ben Amunwa of the London-based oil watchdog Platform. "Shell claims to have nothing to do with Nigerian politics," he said. "In reality, Shell works deep inside the system, and has long exploited political channels in Nigeria to its own advantage." Also, recent Wikileaks revelations about Shell in Nigeria demonstrated the tangled links between the oil firm and politicians. Ann Pickard, who was then Shell's vice president for sub-Saharan Africa, was quoted as telling U.S. diplomats that Shell had seconded people to all the relevant ministries and that Shell consequently had access to everything that was being done in those ministries (see Exhibit 12).

Conflict and Violence

Since December 2005, Nigeria experienced increased pipeline vandalism, kidnappings and militant takeovers of oil facilities in the Niger Delta. The Movement for the Emancipation of the Niger Delta (MEND) was the main group attacking oil infrastructure for political objectives. Even after the amnesty program in August 2009 peace remained fragile and MEND threatened to resume attacks on oil facilities unless there was more progress with regard to a redistribution of oil wealth and greater local control of the sector. Additional security concerns such as kidnappings of oil workers for ransom incidents of piracy, led some oil services firms to pull out of the country and oil workers unions to threaten strikes over security issues. Shell had been hit hardest by the instability, as much of its production is onshore. Much of Shell's crude oil production capacity was shut-in until July 2011, when the company lifted force majeure on about

300,000 bbl/d of Bonny Light crude oil. Yet, in August 2011 the company had to declare again 'force majeure' after several attacks on its pipelines impacting oil production levels (Exhibit 13).

The dimensions of conflict were complex and interwoven. Professor Watts claimed that the insurgency across the Niger delta was locally rooted and reflected a historical configuration of inter-ethnic relations, "generational politics, a corrupt and violent petro-state, irresponsible and short sighted oil company practice, and the existence of a vast oil bunkering network." Furthermore, professor Watts identified a key number of processes to grasp the transformation of the Niger delta into a space of insurgency:

Ethno-nationalism was a central force in a region of sixty or more ethnic groups and a powerful set of institutions of customary rule. This was central for example to both the Ogoni movement in the 1990s and to the Ijaw – the largest ethnic minorities in the Delta – since the establishment of the Ijaw Youth Congress in 1998. The exclusion from the oil wealth while suffering all the social and environmental costs of oil operations became central to the emergence of a new sort of youth politics in which a new generation of youth leaders took up the struggle for regional resource sovereignty.

The second dimension was the unwillingness and inability of the Nigerian state in its military and civilian guises to address this political mobilization in the Delta without resorting to state-imposed violence by an undisciplined military, police and security forces. In this sense, the failure of the non-violent politics of the Ogoni movement left behind a generation of militants whose frustrations were further propelled by undisciplined violence of state security forces to secure 'national oil assets' even after return to civilian rule in 1999.

Third, the militant groups and the rise of youth politics began to challenge both customary forms of chiefly power, and the corruption of the petro-state. While many militias drew substance from grievances due to exclusion and marginalization and unmet goals of peaceful struggle, others paradoxically got their start by being bankrolled by the state and politicians.

Fourth, the existence and proliferation of oil theft or 'oil bunkering' provided a financial mechanism through which militants could finance their operations and attract recruits. The organization of the oil theft trade involved high ranking military, government official and merchants, drew upon the local militia to organize and protect the tapping of pipelines and the movement of barges through the creeks and ultimately offshore to large tankers.

Fifth, corporate practice also contributed to an environment in which military activity was in effect encouraged and facilitated. Watts named for example in his 2008 article the funding of youth groups as security forces, the willingness to use military and security forces against protestors and militants alike, and the corrupt practices of distributing rents to local community elites and the use of violent youth groups to 'protect' their facilities. While Shell saw the hiring youths as a compliance with their stakeholder engagement and promise to provide employment to host communities, these 'surveillance' contracts essentially perpetuated the cycle of violence for two reasons. First, as a member from the NGO social action explains, contracts awarded to the youth groups to 'protect' the facilities from other youth gangs created competition (and eventually conflict) over contracts among the different groups. As a consequence, the system became a method of pay-offs for illegal action of vandalism or theft through a legitimized contract system, and also a 'monetary' mechanism for empowerment of some Shell-selected community members. This had essentially distorted established traditional power structures and contest over the new social and financial status of 'contracted personnel'. Second, in a context of extreme poverty this system provided the wrong incentives in that it encouraged the communities to 'create' work (i.e. incentivizes sabotage). For example in August 2011 Shell had to declare 'force majeure' on all Bonny light (crude) exports and with it a reduction of Nigeria's total production capacity from 2.6m of crude oil barrels per day (BDP) to about 2.3m BDP due to sabotage. Unpublished independent reports seen by the Guardian newspaper and interviews conducted by Friends of the Earth Nigeria suggest that 'Shell must take the blame' as the company withdrew contracts to monitor and protect the pipeline.

Environmental degradation

The geographical conditions of the Niger Delta had always caused certain environmental problems, especially flooding, siltation, occlusion, erosion and the shortage of land for development. While local people had lived with these problems for many years and had found ways of dealing with them (albeit ineffectively for the most part), the negative impacts of the oil industry had been more destructive. Apart from more visible impacts, such as the pollution of soil, surface and groundwater, and air, oil and gas exploitation, socio-economic conditions had been negatively affected as well. UNDP states in its 2006 report that the main problems were canalization destroying freshwater ecological systems; oil spills occurring accidentally or through sabotage by local people; gas leaks and flares producing hydrocarbons that effect the water organisms, biodiversity and was being emitted into the atmosphere (causing acid rain and contributing to global warming); land subsidence, and erosion.

Oil spills

The Nigerian National Oil Spill Detection and Response Agency (NOSDRA) reported that approximately 2,400 oil spills had occurred between 2006 and 2010. The amount of oil spilled in Nigeria was estimated to be around 260,000 barrels per year for the past 50 years.

Responsibilities for oil spills and adequate remediation efforts were very much disputed. While Shell claimed to have reduced significantly its oil spills and attributed the majority of current oil spills to sabotage and theft, all civil society organizations that were interviewed criticized Shell's corroded infrastructure and the failure to clean up subsequent oil spills. Friends of the Earth and Amnesty International had filed an official complaint against Anglo-Dutch firm Shell for shirking responsibility for oil spills in Nigeria, wreaking havoc on the environment and thus breaching the Economic Cooperation and Development (OECD)'s guidelines for responsible business. The Wall Street Journal reported that critics of Shell's record, both in parliament and among non-governmental organizations, were expected to use parliamentary hearings, scheduled for Jan. 26 in 2011 to quiz the company over its activities in Nigeria. Shell Netherlands President, Mr. Peter de Wit, replied during the hearing to the accusations that, "Shell is doing a good job often under difficult circumstances," and insisted the company applied "global standards" to its operations around the world.

In 2011, civil society claims were supported by a scientific investigation of the United Nations Environmental Program and a legal sanction against Shell. The UNEP report criticized SPDC's inadequate oilfield infrastructure and clean up of oil spills, which did not meet local regulatory requirements, SPDC's own procedures nor international best practices. Also in the first kind of this case, Shell faced in the same year in August a legal claim brought in the UK for two massive oil leaks in 2008/09 as a result of equipment failure.

Gas flaring

Many Nigeria's oil fields lacked the infrastructure to produce and market associated natural gas. A study by Environmental Rights Action and the Climate Justice Program concludes that as a consequence "more gas is flared in Nigeria than anywhere else in the world. Estimates are notoriously unreliable, but roughly 2.5 billion cubic feet of gas associated with crude oil is wasted in this way everyday. This is equal to 40% of all Africa's natural gas consumption in 2001, while the annual financial loss to Nigeria is about US $2.5 billion. The flares have contributed more greenhouse gases than all of sub-Saharan Africa combined. And the flares contain a cocktail of toxins that affect the health and livelihood of local communities, exposing Niger Delta residents to an increased risk of premature deaths, child respiratory illnesses, asthma and cancer."

For several years the government of Nigeria worked to end natural gas flaring for several years but the deadline to implement the policies and fine oil companies was repeatedly postponed, with the most recent deadline being December 2012. Also the 2009 Gas Master Plan that promoted new gas-fired power plants to help reduce gas flaring and provide much-needed electricity generation showed limited progress.

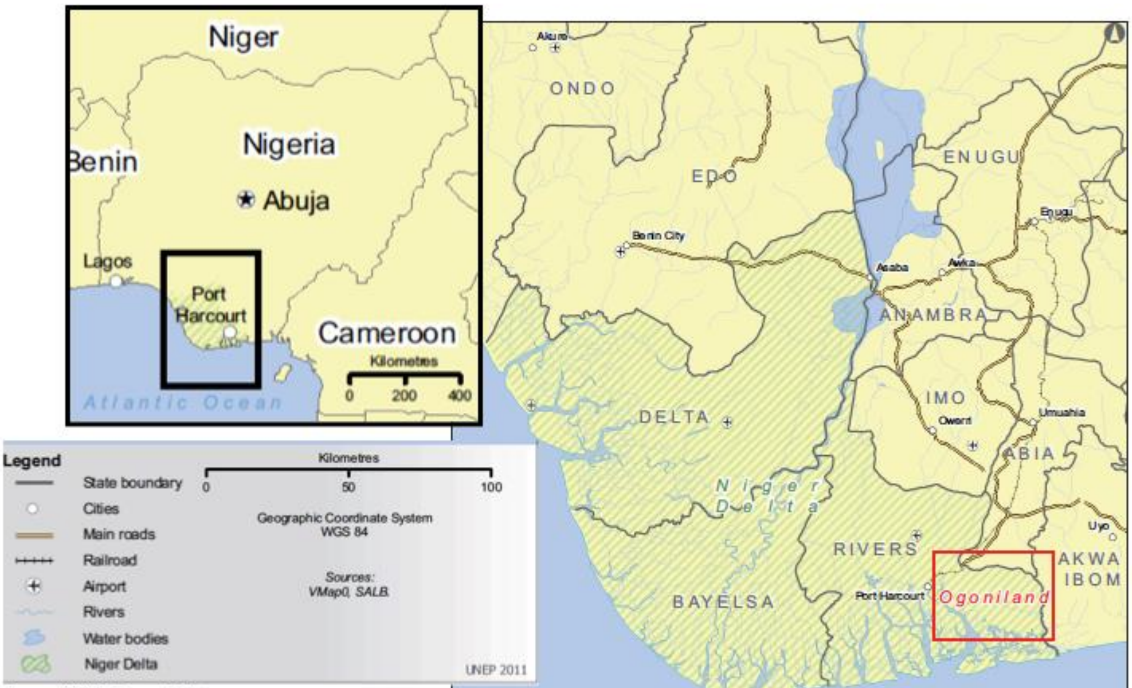
Shell's future in Nigeria

“The situation has not changed from what it were in the past. In fact, it is worse.” The statement from a human rights activist of the NGO social action reflects the frustration of most people in the Niger Delta. Today, even more people live in poverty than before oil was found and paradoxically, the rural and in the oil producing areas suffer most. Lately, civil society claims have been supported in the first case of this kind by a legal sanction against Shell in the UK and a scientific investigation of UNEP, which put increased international and local pressure on the continuity of Shell’s operations in Nigeria.

History seemed to repeat itself. Again, the relevant question for the Managing Director of the Shell companies in Nigeria was eventually should the company stay in the country or pull out? In 1998 the company asked themselves “should (we) pull out the deal altogether and let another company make the decision?” Should we “stay out and deny the country and its communities the economic benefits (our) presence would bring – and indeed the financial returns (our) shareholders might expect from such an opportunity?” Yet, if Mutiu Sunmonu decided to stay the company would have to address its public responsibilities more effectively than it did in the 1990s. Choosing the right strategy in responding to public service deficits and guarantee sustainable development requires more than a one-size-fits-all solution in such a complex environment such as Nigeria. Sir Mark Moody-Stuart very well described Shell’s dilemma in the 1990’s, which his successor Mrs Sunmonu faced again: “The biggest change […] for an international corporation is this extension of responsibility […] beyond just paying your taxes and beyond just relating effectively to communities around your factory fence.”

Exhibits

Exhibit 1. Map of Nigeria and Niger Delta



Source: UNEP Report 2011

Exhibit 2. Three most profitable companies worldwide in the petroleum refining industry

Rank 2009	Company	Global 500 rank	Revenues ($ millions)
1	Royal Dutch Shell	1	458,361.0
2	Exxon Mobil	2	442,851.0
3	BP	4	367,053.0

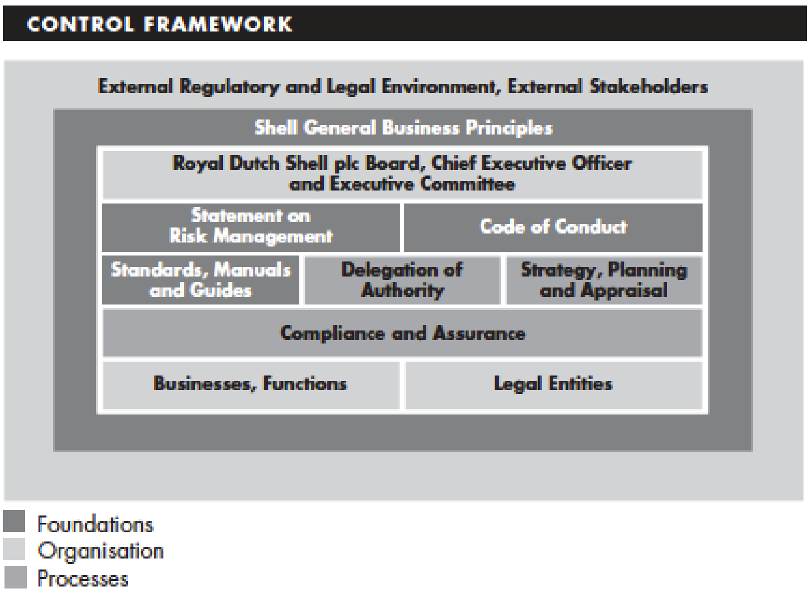
Source: Global Fortune 500; From the July 20, 2009 issue
Note: Figures prepared in accordance with International Accounting Standards. Excise taxes have been deducted. Company is incorporated in Britain. Executive offices are in the Netherlands.

Exhibit 3. Ten most profitable companies worldwide

Rank 2009	Company Global 500	Rank 2008	Profits ($ millions)	Profits % change from 2007
1	Exxon Mobil	2	45,220.0	11.4
2	Gazprom	22	29,864.1	16.1
3	Royal Dutch Shell	1	26,277.0	-16.1
4	Chevron	5	23,931.0	28.1
5	BP	4	21,157.0	1.5
6	Petrobras	34	18,879.0	43.7
7	Microsoft	117	17,681.0	25.7
8	General Electric	12	17,410.0	-21.6
9	Nestlé	48	16,669.6	87.8
10	Industrial & Commercial Bank of China	92	15,948.5	48.8

Source: Global Fortune 500; From the July 20, 2009 issue
Note: Figures prepared in accordance with International Accounting Standards. Excise taxes have been deducted. Company is incorporated in Britain. Executive offices are in the Netherlands.

Exhibit 4. Shell's Control Framework



Note: "Foundations" comprise the objectives, principles and rules that underpin and establish boundaries for Shell's activities. "Organisation" sets out how the various legal entities relate to each other and how their business activities are organized and managed. "Processes" refer to the more material processes, including how authority is delegated, how strategy, planning and appraisal are used to improve performance, how compliance is managed and how assurance is provided. All control activities relate to one or more of these components.
Source: (Shell, 2010)

Exhibit 5. The Case of Ken Saro Wiwa

Kenule "Ken" Beeson Saro Wiwa (October 10, 1941 - November 10, 1995) belonged to the Ogoni people, an ethnic minority in the Niger Delta which has suffered extreme and unremediated environmental damage from decades of crude oil extraction. He was an outspoken critic of the Nigerian military government of General Sani Abacha, which he viewed as reluctant to enforce environmental regulations on the foreign petroleum companies operating in the area. As the president of the Movement for the Survival of the Ogoni People (MOSOP), Saro-Wiwa led a nonviolent campaign against environmental degradation of the land and waters of Ogoniland by the operations of the multinational petroleum industry, especially Royal Dutch Shell. At the peak of his non-violent campaign, Saro-Wiwa was arrested, hastily tried by a special military tribunal, and hanged in 1995 all on charges widely viewed as entirely politically motivated and completely unfounded. Shell was accused to be involved in the development of the strategy that resulted in the unlawful execution of the Ogoni Nine and the provision of monetary and logistical support to the Nigerian police for “security operations” that often amounted to raids and terror campaigns against the Ogoni. In 2009, this case was settled out of court with Shell paying $15.5 Million USD compensation to the plaintiffs. The company maintains that it “was falsely alleged to have been complicit in the men’s death” and agreed to a settlement because they felt “it was time to draw a line under the past and assist the process of reconciliation” (Royal Dutch Shell, 2009b, p. 25).

Source: humanrights.org/Categories/Lawlawsuits/Lawsuitsregulatoryaction/ LawsuitsSelectedcases/ShelllawsuitreNigeria; Royal Dutch Shell. (2009). Royal Dutch Shell PLC Sustainability Report 2009. London.

Exhibit 6. NGOs and BBC targeted by Shell PR machine in wake of Saro-Wiwa death

NGOs and BBC targeted by Shell PR machine in wake of Saro-Wiwa death
Secret documents reveal the oil giant's crisis management strategy following the execution of the Nigerian activist

Eveline Lubbers and Andy Rowell
Guardian.co.uk, Tuesday 9 November 2010 17.33 GMT

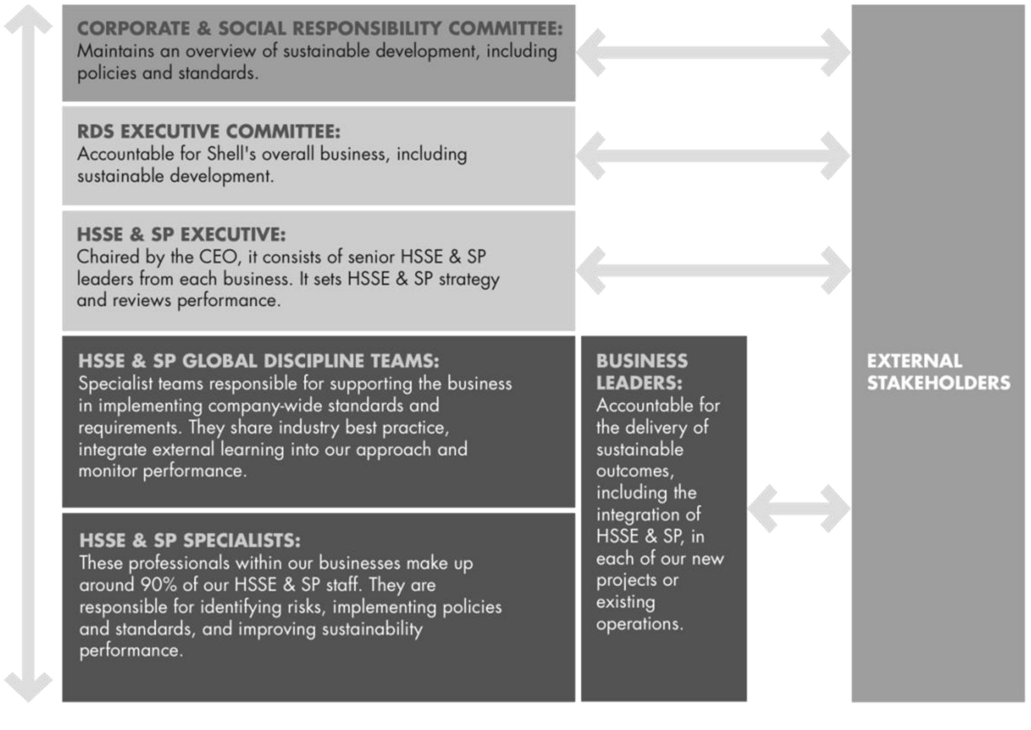
In June last year, the company paid $15.5m to settle a legal action over the deaths in a federal court in New York without admitting liability. It was one of the largest payouts agreed by a multinational corporation charged with human rights violations.

The documents – which were part of this legal case but were never made public – describe the company's "crisis management strategy and plan". This was finalised by Shell's senior executives at a secret meeting in Ascot in January 1996, two months after Saro-Wiwa's death. The strategy was described as "most confidential".
(…)
The documents outline a tactic of divide and rule, where Shell planned to work with some of its critics but isolate others. Under the "occupying new ground" scenario, the document detail how Shell would "create coalitions, isolate the opposition and shift the debate."
(…)
One suggested tactic to counter these organisations was to "challenge [the] basis on which they continue their campaign against Shell in order to make it more difficult for them to sustain it".
(…)
The documents also noted that "showing progress with the 'greening of Shell Nigeria'" was "strategically critical" after Saro-Wiwa's death. Although elsewhere, the documents acknowledge that the strategy may not be seen as genuine. "Our present communications strategy could be construed as green imagery" the authors wrote. To improve its green image, the company had to counter accusations of "environmental devastation", so Shell planned to produce a video "to publicise successes" and "to turn the negative tide". The most important topic to be included in the film was "oil spills generally, focusing on sabotage." This would have had the effect of playing up the impact of illegal activity in causing oil spill pollution in the delta, but in another document, the head of Shell Nigeria, N A Achebe, had acknowledged internally that "the majority of incidents arise from operational failures".

The documents even reveal that Shell discussed whether it should stay in the country in the wake of Saro-Wiwa's death. One scenario was called "milking the cow", whereas the "pull-out" scenario was seen as "giving in" or "caving in" which would set a "very negative precedent for the group". Another reason for not leaving was that "issues of liability will not disappear even with a total withdrawal."

This article was amended on 11 November 2010. The original referred to a secret meeting in Ascot in January 1995. This has been corrected. http://www.guardian.co.uk/business/2010/nov/09/shell-pr-saro-wiwa-nigeria

Exhibit 7. Overview of Shell's sustainable development and governance structure



Source: Shell Sustainability Report 2009

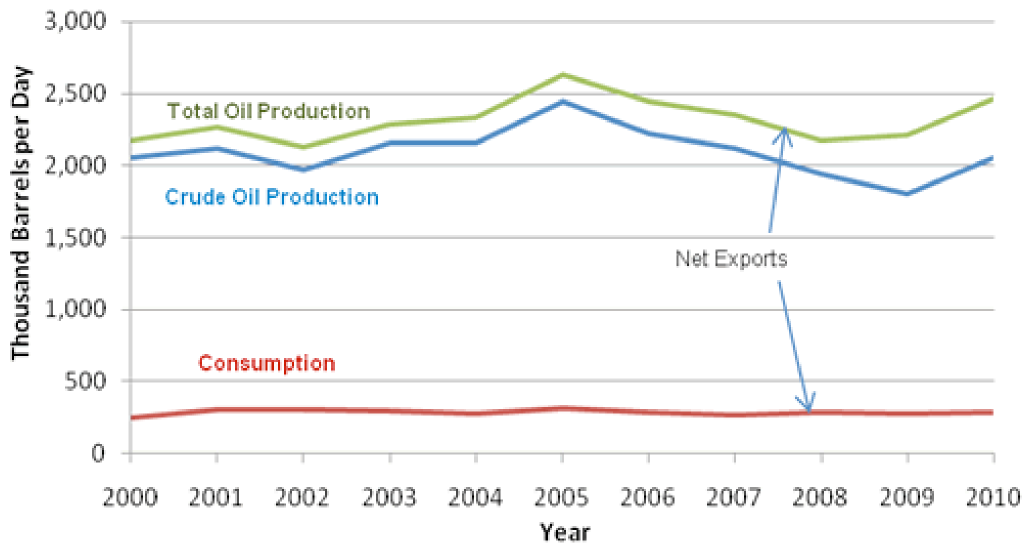
Exhibit 8. Dimensions of the resource curse: Nigeria in comparison with other African countries

	Economic performance	Governance	Conflicts	Environment	Total
Nigeria	▲▲▲	▲▲▲	▲▲▲	▲▲▲	12
Angola	▲▲	▲▲▲	▲▲	▲▲	9
Sudan	▲	▲▲	▲▲	▲	6
Equatorial Guinea	▲	▲▲▲	▲	▲▲	7
Congo B.	▲▲▲	▲▲▲	▲▲	▲▲	10
Gabon	▲▲	▲▲▲	▲	▲▲	8
Chad	▲▲	▲▲	▲▲	▲	7
Cameroon	▲	▲▲	▲▲	▲	6
Mauritania	▲	▲	▲	▲▲	5
DRC	▲	▲	▲	▲	4
Ivory Coast	▲	▲▲	▲	▲	5
South Africa	▲	▲	▲	▲	4

▲▲▲ = Oil has major role in problems or negative results in the domain.
▲▲ = Oil has an intermediate role in the problems or mediocre results in the domain.
▲ = Lack of a major negative role of oil in the given domain.
NB: Where oil does not play a major negative role, other extraction activities (mineral resources) can still be implicated in the "resource curse." Here we consider only the role of oil.

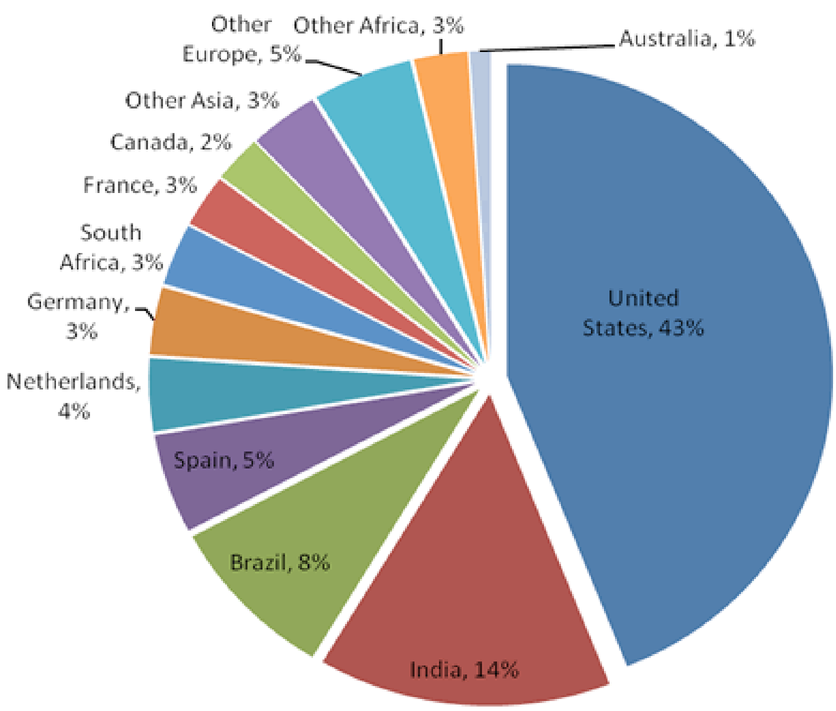
Source: Magrin, G., & Van Vliet, G. (2009). The use of oil revenues in Africa. In J. Lesbourne (Ed.), Governance of oil in Africa: unfinished business (pp. 103-164). Paris: Institut français des relations internationales (IFRI), p.119

Exhibit 9. Nigeria's Oil Production and Consumption (2000-2010)



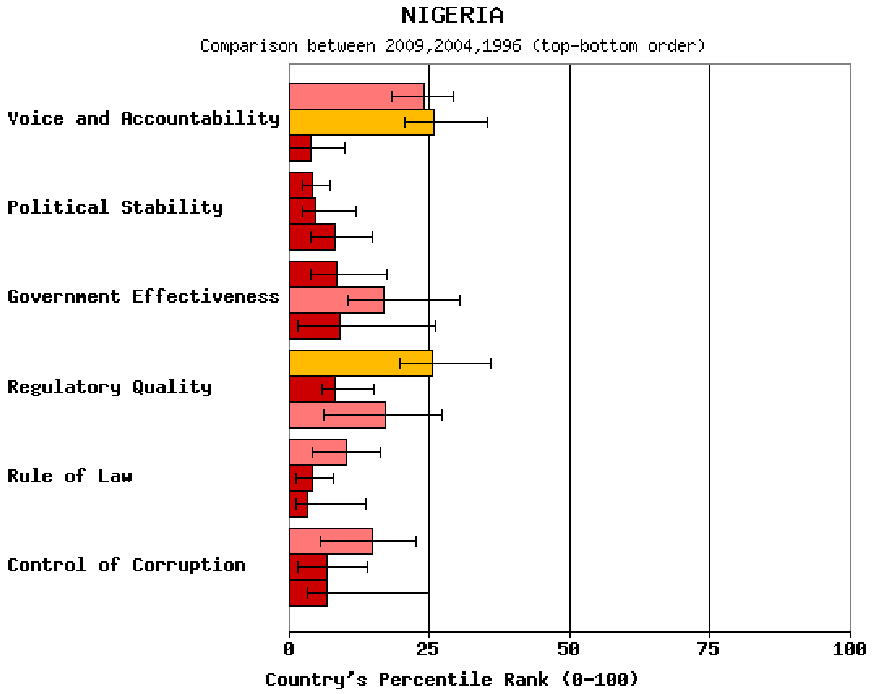
Source: EIA, International Energy Annual , Short Term Energy Outlook August 2011

Exhibit 10. Nigerian Crude Oil Exports by Destination (2010)



Source: Sources: Global Trade Atlas, APEX (Lloyd's), FACTS Global Energy, EIA

Exhibit 11. World Bank Anti-Corruption and Governance Index



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues
Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Exhibit 12. US embassy cable 09Abuja1907, C) Shell Md Discusses The Status Of The Proposed Petroleum

Reference ID	Created	Released	Classification	Origin
09ABUJA1907	2009-10-20 06:06	2010-12-08 21:09	CONFIDENTIAL//NOFORN	Embassy Abuja

VZCZCXRO4227 PP RUEHPA DE RUEHUJA #1907/01 2930617 ZNY CCCCC ZZH P 200617Z OCT 09 FM AMEMBASSY ABUJA TO RUEHC/SECSTATE WASHDC PRIORITY 7262 INFO RUEHOS/AMCONSUL LAGOS PRIORITY 2129 RUEHSA/AMCONSUL JOHANNESBURG 0101 RUEHZK/ECOWAS COLLECTIVE RHEBAAA/DEPT OF ENERGY WASHDC RUCPDOC/DEPT OF COMMERCE WASHDC RUEATRS/DEPT OF TREASURY WASHDC

Tuesday, 20 October 2009, 06:17 C O N F I D E N T I A L SECTION 01 OF 04 ABUJA 001907 NOFORN SIPDIS DEPT PASS USAID/AFR/SD FOR CURTIS, ATWOOD AND SCHLAGENHAUF DEPT PASS TO USTDA-PAUL MARIN, EXIM-JRICHTER DEPT PASS TO OPIC FOR BARBARA GIBIAN AND STEVEN SMITH DEPT PASS USTR FOR AGAMA JOHANNESBURG FOR NAGY

USDOE FOR GEORGE PERSON TREASURY FOR TONY IERONIMO, ADAM BARCAN, SOLOMAN AND RITTERHOFF EO 12958 DECL: 02/04/2029 TAGS EPET, ENRG, EINV, ECON, ETRD, PGOV, NI SUBJECT: (C) SHELL MD DISCUSSES THE STATUS OF THE PROPOSED PETROLEUM INDUSTRY BILL Classified By: Deputy Chief of Mission Dundas McCullough for reasons 1.4. (b & d). Ref: Abuja 1836

------- SUMMARY ------- ¶1. (C) Shell EVP for Shell Companies in Africa met with the Ambassador on October 13 to discuss the status of the proposed Petroleum Industry Bill. She said the GON wanted the National Assembly to pass the bill by November 17 and that the international oil companies would have to move quickly if the House passed the bill in the coming weeks. She said there was "total alignment" among the IOCs and with the Nigerian oil companies. She said it would be helpful if the Embassy would continue to deliver low-level messages of concern and call on the Speaker of the House to see where he stood on the bill. She expected the situation in the Niger Delta to be "quiet" until the end of the year but would get "out-of-hand" when the election cycle starts up at the end of the year. Shell's views of the PIB track closely with ExxonMobil's views as reported in reftel. END SUMMARY.

------------------------- CURRENT STATUS OF THE PIB ------------------------- ¶2. (C) Shell EVP for Shell Companies in Africa Ann Pickard met with the Ambassador at the Embassy on October 13. The DCM and Economic Counselor joined the Ambassador, and XXXXXXXXXXXX accompanied Pickard. The Ambassador asked Pickard for her views about the status of the Petroleum Industry Bill (PIB). Pickard said the GON wanted the National Assembly to pass the bill by November 17 in order for the GON to be able to announce it at the upcoming CWC Gulf of Guinea Conference in London November 17-19. She said that if the House passes the PIB in the coming weeks, "we need to move quickly" to obtain any necessary changes before it becomes law. Fortunately, she added, "We are working with the House and the House appears to want to work with us." She continued that if the Senate passes the PIB, "We aren't worried." Unfortunately, she explained, "We think the Senate will pass a bad bill" but it won't really matter. She added that she would be at the Nigerian House and Senate later that day and would let the Embassy know if there were any unexpected developments.

¶3. (C) The Ambassador asked if Shell had had engagements with the GON outside the National Assembly, such as with the Ministry of Finance and the Central Bank of Nigeria. Pickard said, "We are meeting with them at all levels." She noted that an IMF team headed by Charles McPherson was in Abuja to look at the PIB and that Shell would be meeting with them as well. In contrast, she said, "We are worried about the World Bank's political agenda and it is not clear what their agenda is." She said the World Bank was working on how to make the IJVs "bankable" so that they would be able to go to international and domestic banks for financing. -----------------------------

GAS FLARING AND CLIMATE CHANGE ----------------------------- ¶4. (C) Pickard said the PIB requires an end to gas flaring by 2010. She said the industry won't be able to do that due to the lack of investment and security. Shell is ahead of the other IOCs and could be ready by 2011. Shell would have to spend $4 billion to do this, but the GON would also have to fund its part and that is a risk. Shell would shut in oil production in fields where it is uneconomic to end gas flaring, and it would let others have the gas for free where it is economic to do so.

¶5. (C) Pickard continued that NNPC General Managing Director Dr. Mohammed Barkindo was interested in doing something on climate change in preparation for the climate change summit in Copenhagen December 6-18. Barkindo was spread pretty thin so Shell will ask him how they can help him prepare for the summit. She added that Shell had recently told the oil producing countries that coal will squeeze out oil as a result of the CO2 footprint issue if the oil producing ABUJA 00001907 002 OF 004 countries and IOCs do not do more to address the issue.

------------------ POTENTIAL BENEFITS ------------------ ¶6. (C) Pickard summarized the PIB's potential benefits. The creation of fully integrated and independently functioning international joint ventures (IJVs) would solve the oil and gas industry's longstanding funding problems if the proposed IJVs are done right. The Nigerian National Petroleum Company (NNPC) was previously forced to reduce its ownership of some existing joint ventures to 49 percent to make them profitable enough to obtain financing. The proposed division of responsibilities between the NNPC and the Directorate of Petroleum Resources also would be good. The IOCs currently do not know if the NNPC is their partner or regulator.

---------------------------- COHESION WITHIN THE INDUSTRY ---------------------------- ¶7. (C) The Ambassador asked if the industry was united in its approach to the PIB. Pickard replied that there was "total alignment with the international oil companies at every level." She acknowledged that Shell had more exposure to the loss of acreage than any other company. "We could lose 80 percent of our acreage," she said. The problem comes from the fact that the PIB will redefine how a company can hold on to its exploration and production blocks, limiting what can be kept to two kilometers around each well. "Everyone offshore loses a lot," she continued. "We will have to bring satellites on fast or we will lose the blocks." However, the problem with that is that the companies have to be able to pass things through to the blocks quickly and it takes years to get a rig in due to delays in the Nigerian approval process. (NOTE: Pickard told Econoff in Lagos that Shell "sent away" three platforms in late September. END NOTE.) -----------
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ALIGNMENT WITH NIGERIAN OIL COMPANIES ------------------------------------ ¶8. (C) The Ambassador asked about the IOCs' alignment with the Nigerian oil companies. Pickard replied that "the Nigerian companies are with us" because they will be taxed at the same rate in the current version of the PIB. The IOCs are starting to see what the Nigerian companies want to do.

-------------- THE USG'S ROLE -------------- ¶9. (C) The Ambassador asked what the Embassy could do to help with the Joint House Committee on Petroleum Upstream and Downstream and Justice that is working on the PIB. Pickard said she hoped the current level of dialogue between the GON and the IOCs continues. Unfortunately, "We have not been able to meet with President Yar'Adua for nine months," she said. "They have him protected." She said it would be helpful if the Embassy would continue to deliver low-level messages of concern. In particular, she thought it would be helpful for the Embassy to call on Speaker of the House Dimeji Bankoke to see where he stood on the bill. Beyond that, she would like to keep the Embassy in reserve and use it as a "silver bullet" if the PIB passes the House. The Ambassador noted that the U.S., U.K., Dutch and French Embassies had already made a joint call on NNPC General Managing Director Dr. Mohammed Barkindo.

--------------------------------------- CHINA'S INTEREST IN NIGERIA'S OIL BLOCKS --------------------------------------- ¶10. (C) Pickard mentioned China's recently reported interest in Nigeria's oil blocks. She said Shell had received a copy of the letter that Special Advisor to the President on Petroleum Matters Dr. Emmanuel Egbogah had sent to the Chinese which said that their offer for oil exploration blocks was not good enough. Minister of State for Petroleum Resources Odein Ajumogobia had denied that the letter ABUJA 00001907 003 OF 004 had been sent, but later conceded that the GON was only "benchmarking" to see what the IOCs should pay for shallow-water licenses. Pickard said Shell had good sources to show that their data had been sent to both China and Russia. She said the GON had forgotten that Shell had seconded people to all the relevant ministries and that Shell consequently had access to everything that was being done in those ministries.

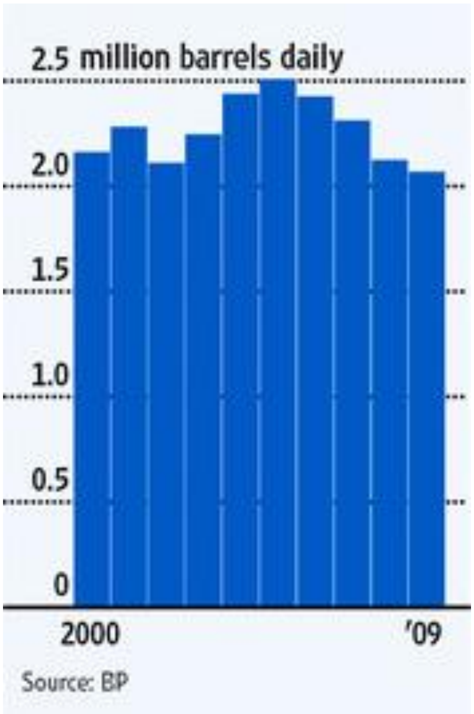
--- -- CHANGING RESPONSIBILITIES WITHIN THE GON'S TEAM --- -- ¶11. (C) Pickard observed that there might be changes with how the GON management of the petroleum sector is organized. Minister of Petroleum Resources Rilwanu Lukman may be given the responsibility for implementing the PIB, while Minister of State for Petroleum Resources Ajumogobia may get the Directorate of Petroleum Resources and ongoing business. The problem with these changes is that the GON could still get "unempowered people" who are not able to address the issues. The question is whether Ajumogobia would be able to step up. (NOTE: Press reports on October 17 reported that Lukman will be given overall responsibility for the formulation of policy, and oversee the implementation of the PIB, the Integrated Joint Venture negotiation and rollout, the fiscal terms transition and implementation, the new organization implementation, and stakeholder management. We will also supervise the NNPC and its subsidiaries, the Organization of Petroleum Exporting Countries, the African Petroleum Producers Association, and the University of Petroleum. Ajumogobia will be in charge of the Gas Master Plan Transition Implementation, the Gas Exporting Countries Forum, the Nigerian Liquefied Natural Gas, the alternative fuels, and the Petroleum Equalization Fund. He will also oversee the Directorate of Petroleum Resources, the Petroleum Training Institute and the Pricing Regulatory Agency. END NOTE.)

------------------------- SHELL'S CURRENT PRODUCTION ------------------------- ¶12. (C) The Ambassador asked about the level of Shell's current operations. Pickard said Shell was producing 663,000 barrels per day as of October 13, including the Bonga field. Approximately 80,000 barrels per day had been brought back from the Forcados field on the previous day. Some 900,000 barrels per day of capacity was still shut in. Of that, Shell could bring back 600,000 barrels per day, while the remaining 300,000 barrels per day is "too unreachable."

-------------------------- AMNESTY IN THE NIGER DELTA -------------------------- ¶13. (C) The Ambassador asked Pickard what she thought about the future of the GON's amnesty offer to militants in the Niger Delta. She responded that Shell expected the situation in the Niger Delta to be "quiet" until the end of the year. It will then get "out-of-hand" when the election cycle starts up in December, January and February. She expressed particular concern about Bayelsa State, home to Shell's 500,000 barrel-per-day capacity Bonny field. Pickard also noted that Shell saw Israeli security experts in Bayelsa, but not in the Delta, and that there had been "a big drop in kidnapping" as a result.

------------- Looking Ahead ------------- ¶14. (C) XXXXXXXXXXXX ------- COMMENT ABUJA 00001907 004 OF 004 ------- ¶15. (C) Shell's views of the PIB and the alignment among the IOCs and with the Nigerian oil companies track closely with the views of ExxonMobil, as reported in reftel. The main difference is that Shell tends to minimize the different tax concerns and financial vulnerabilities of the individual IOCs. Shell is much more vulnerable than the other IOCs because its operations are concentrated in less favorable JV concessions that are located in the violence-prone Niger Delta. ExxonMobil and Chevron's operations are concentrated in more favorable production sharing contracts (PSC) in the relatively violence-free offshore areas. In the event that the PIB retains negative terms or violence returns to the Delta, Shell can be expected to hurt the most and cry the loudest. ¶16. (U) Embassy Abuja coordinated this telegram with ConGen Lagos. SANDERS

Exhibit 13. Oil production in Nigeria 2000-2009



Source: Wall Street Journal (2010)

TEACHING NOTE

Research Method

The authors present the facts on Royal Dutch Shell and Nigeria such as they are available from public sources and in-depth interviews. Part of the data collection process included a 2 weeks fieldwork in Nigeria in July, and a visit of the company's headquarter in Den Haag in September 2011. From the outset and throughout the data collection process, 22 key contributors to the corporate social performance debate, ranging from academia, through civil society to Shell employees in Nigeria, Holland and the UK have been contacted. In total, there were 16 in-depth interviews with civil society and academic actors, all face-to-face and tape-recorded and subsequently analyzed. The participants were promised confidentiality to encourage uninhibited responses. Interviewees included the following organizations: The Movement for the Survival of the Ogoni People, Heinrich Böll Foundation, Publish What You Pay, Revenue Watch Institute, Civil Society Legislative Advocacy Centre, West Africa Civil Society Forum, Economic Community of West African States, Environmental Rights Action, Centre for Democracy and Development, Zero-Corruption Coalition, African Network for Environment and Economic Justice, Niger Delta Budget Monitoring Group, Initiative for Community Development, Integrated Ecosystem Management Project, African Center for Leadership, Strategy and Development (LSD), Social Action, Ogoni Solidarity Forum, and Bangof. For confidentiality reasons responses from interviewees from Shell international and Shell Petroleum Development Company have not been included. Yet, we thank the company for the insights offered and the sharing of relevant information for our case.

Context of use and audience

Characteristics of the course and timing of the case

The interdisciplinary character, innovative stance and the global context of the case is especially interesting for students studying subjects such as the global context of management, the role of business in society, business ethics, business challenges in complex environments such as developing countries, and also legal ethics. The case is thus addressed to diverse disciplines such as management, economics and legal studies; yet with a strong emphasis on and always in relation to the first. With regard to the legal studies, this case can be used when the course includes a specific part on business ethics or is addressed to law students involved in business law practice, either in law firms working for companies or as part of the legal counsel of companies themselves. The case is interesting as many students are ignorant or highly skeptical of business ethics. Furthermore, many have been educated in the traditional 19th century assumption that public and private are completely independent areas. The case of Shell in Nigeria helps students to open their eyes to the new realities of large MNC with a special emphasis on the effects of their engagement in the public sphere and their contribution to sustainability issues. In the area of international management, strategic management and courses on business in society the case of Royal Dutch Shell in Nigeria is interesting as it is represents the increasing engagement of business firms in global business regulation and the production of public goods in the context of globalization. The key management challenge of this case study is twofold. First, the challenge associated with operating in an extremely complex environment and in an industry sector that inherently entails persistent risks for social and environmental sustainability. Second, the challenge to manage the implications of the adoption of public responsibilities in relation to the basis for corporate legitimacy, the scope of responsibility and the democratic control of MNCs. In general we recommend teaching the case towards the end of the course as it brings together the different topics such as social, economic and political issues of sustainable development. It thus requires the students to be familiar with the most important underlying concepts such as sustainability, CSR, license to operate, characteristics of MNC, and global governance amongst others.

Characteristics of the students and of the class group

As this case is inter-disciplinary, we recommend using it with students who have a basic understanding of (but not necessarily degree in) Management, International Relations, Political Philosophy and International Law. It can be used in undergraduate classes, though due to its complexity, it is especially recommended for graduate, Master’s and MBA students. In the area of legal studies it is particularly adequate for law students dealing with business law practice, either in law firms working for companies or as part of the legal counsel of companies themselves.

Contribution of the case

The case is a vehicle for discussion and insight on the crucial role of learning and adaption over time for two reasons. In the first place, Shell's experiences demonstrate that many companies still hold an apolitical self-perception, but engage at the same time in activities that have been regarded as actual government activities. Yet, this strategic adoption of public responsibilities to maintain their social license to operate implies unforeseen challenges with regard to the company's legitimacy and the scope of responsibility. It also requires continuous efforts from part of the company to reconsider and adjust their strategy over time. In this sense, students 'take away' for their managerial and knowledge skills that learning, not reality avoidance, and a careful evolution of the strategy over time are key success factors. Secondly, the case also raises concern and consciousness of the 'dark side' not only of the company's practices and divergence between words and deeds, but also of the weaknesses of the broader system of business and of our society; i.e. the democratic control of powerful MNC in a global and local context with a non-existent or weak regulatory authority. Even though Shell is considered a forerunner in CSR, the case points to problems of sustainability with regard to the application of 'double standards' and the sometimes bad consequences of much-praised practices. Thus this prompts students to think not only about the scope of responsibilities, corporate legitimacy and the feasibility of democratic control of MNC like Shell, but also provides input for students that allow them to think through the scope of feasible and sustainable action if they happen to find themselves confronted with such practices. In this sense, this case thus also challenges in a way the 'bright side' bias of the far more numerous 'best-practice' cases in the area of CSR and sustainability.

Learning objectives

The case has multifaceted aspects and learning opportunities. Afterwards, the students/participants will be able to:

- Stipulate the 'best' decision and discover implications of each strategic option when faced with taking on public responsibilities
- Analyze and understand the economic and political role of multinational corporations like Shell under the conditions of globalization.
- Understand and reflect upon the consequences of this move into the political sphere breaking them down into issues related to corporate legitimacy, scope of responsibility and corporate control.
- Find out and reason on the implications of the company's application of 'double standards' and the sometimes bad consequences of much-praised practices on sustainability

Teaching plan

Depending on how comprehensively the instructor wishes to discuss the case, how much of the video is shown, and how extensive and lengthy is the discussion or role-play, this case can run from a single 90-minute session to two such sessions. Below we provide a teaching plan for two 90-minute or one 3-hour session.

Activity	Estimated time	Activity leaders
Prior class		
Preparation: case reading	1 hour	Individual students
Prior work: - Search for information (Shell & Nigeria) - Background readings	3 hours	Individual students or Students in groups
In class		
Opening - Answer W-Questions on blackboard - Show Video	10-20 min	Professor with input from students
Setting the scene - Nigeria - Shell's triple bottom line & main critique	10 min	Professor
- Mapping Shell's local & global engagement	10 min	Professor with students
Consequences of political engagement with regard to - Scope of corporate responsibility - Basis for corporate legitimacy - Democratization of global governance structures	50 min	Students in groups
Present and discuss findings	40 min	Students in groups
'Mini-lecture' on four strategic pathways	10 min	Professor
Decision & discussion	30 min	Professor with students
Close discussion by sharing findings on political CSR & summarizing learning objectives acquired	10 min	Professor

PRIOR CLASS

Preparation

The case has been designed so that students have enough information to be able to analyze it thoroughly. Notwithstanding, it is recommended that students get familiar with the company and context in which Shell operates in a more active and exploratory way. Below we provide diverse websites and sources for this purpose:

Corporate Website:

http://www.shell.com/

http://www.youtube.com/shell#p/u/3/0aHa4VbQBZ8

Information about Shell & Nigeria:

http://money.cnn.com/magazines/fortune/global500/2010/

http://www.business-humanrights.org/Documents/Oilpollution/Nigeria

http://www.eia.gov/countries/cab.cfm?fips=NI

http://web.ng.undp.org/

http://www.usaid.gov/locations/subsaharan_africa/countries/nigeria/index.html

http://www.fmf.gov.ng/

http://english.aljazeera.net/video/africa/2010/12/201012101525432657.html

Anti-Shell Websites:

http://royaldutchshellplc.com/

http://www.youtube.com/watch?v=zciWUOrIUqo

http://www.youtube.com/watch?v=ejym4mKelhM

http://www.hrw.org/africa/nigeria

http://www.stakeholderdemocracy.org/index.php?page=65

http://www.youtube.com/watch?v=bEhhiKJDUTM&feature=related

From previous test sessions we learned that the case works especially well if students have a background in elements of CSR, sustainability, strategy and the economic and political role of MNC. In particular, assignment of the following readings can be used to motivate parts of the discussion:

- Banerjee, S. B. (2007). Corporate Social Responsibility: The Good, the Bad and the Ugly. Cheltenham, UK: Edward Elgar Publishing.
- Friedman, M. (1970). 'The social responsibility of business is to increase its profit'. The New York Times Magazine, 13 September.
- Frynas, J. G. (2005). The false developmental promise of Corporate Social Responsibility: evidence from multinational oil companies. International Affairs, 81(3)
- Scherer, A. G., & Palazzo, G. (2011). The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy. Journal of Management Studies, 48(4), 899-931.
- Valente, M., & Crane, A. (2010). Public Responsibility and Private Enterprise in Developing Countries. California Management Review, 52(3).

We also advise the instructor to send out to the students some initial questions, which they should keep in mind when reading the article(s): MNC are operating at the global and local level (esp. in developing countries) in a challenging environment:

- What role do they play?
- Which consequences do their operations have on corporate responsibility, legitimacy and what does this imply for the democratic control of corporations?
- What strategy should they employ to maintain their license to operate?
- Can an organization be sustainable and socially responsible if its core operations entail persistent environmental, social or ethical issues?

IN CLASS

1. Opening

We recommend projecting the quote by Sir Mark Moody-Stuart (Managing Director of Shell Transport and Trading Company, p.l.c. in 1991 and Chairman of Royal Dutch/Shell from 1998-2001) to capture the students' interest in and curiosity about the company's role in a complex operating context such as Nigeria:

> "The biggest change […] for an international corporation is this extension of responsibility […] beyond just paying your taxes and beyond just relating effectively to communities around your factory fence." (Sir Mark Moody-Stuart in Valente & Crane, 2010)

A good way to begin the discussion is by asking the students for the main decision and dilemma the company faces. To answer the 'why-question' the instructor should summarize the main points of the case on the chalkboard (see example below) answering to the questions who, where, and when. This introductory exercise assures that all students are familiar with the key figures and facts, which lay the foundations for later discussions: the company, actors, the complex operating environment in Nigeria, timeline of events etc.

- What is the main decision? Why?
- What do we know about the situation of Shell in Nigeria?

Even though this information-seeking activity highlights relevant pieces of information and ensures a common database, these factual responses can trigger boredom so that students tune out and their listening acuity falls. To avoid this situation and to get a more visual illustration of the situation in which Shell initiated its sustainability agenda the instructor might show the 8 minutes video "The Case Against Shell: 'The Hanging of Ken Saro-Wiwa Showed the True Cost of Oil'" by ShellGuilty:

http://www.youtube.com/watch?v=htF5XElMyGI&feature=player_embedded

The instructor should also inform students that this case was settled out of court in June 2009. Shell agreed to pay $ 15,5 Million USD compensation to the plaintiffs but denied any responsibility or complicity in the alleged human rights abuses. The documentary was produced by Rikshaw films for Earth Rights International and the Center for Constitutional Rights who were the plaintiffs' co-counsel in the case. This fact could be perceived as a one-sided source of information as it does not take into account the company's point of view. Yet, the instructor should emphasize that this video is interesting as it illustrates the circumstances in which Shell was forced to initiate its sustainability agenda; a situation that today is perceived to be worse by many people on the ground and in which 'the struggle continues' – with different actors but for the same cause.

2. Setting the scene

Here students should understand the move in to the political sphere under the conditions of globalization and the complex operating environment in Nigeria.

2.1. Complex operating environment: Nigeria

At this point the instructor should set the scene for a subsequent reflection on Shell's role in a concrete context: Nigeria. We suggest classifying information according to the different three sustainability dimensions (economic, social, and environmental) and particular governance challenges related to the 'resource curse' and the nature of Nigeria's 'rentier state'. The instructor should briefly explain some terms and concepts used in the discussion to insure a correct understanding:

- The resource curse refers to the paradox that countries and regions with an abundance of natural resources tend to have less economic growth and worse development outcomes than countries with fewer natural resources. The term resource curse thesis was first used by Richard Auty in 1993.
- In a 'rentier state' state revenues accrue from taxes or 'rents' on production rather than from productive activity. As a consequence, the government focused its efforts on controlling these resource rents and failed to set in place a robust tax system and with it to develop a system of formal accountabilities to secure domestic legitimacy

- The Human Development Index provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and gross enrolment in education) and having a decent standard of living (measured by purchasing power parity, PPP, income).
- Corruption is defined by Transparency International as ‘the abuse of entrusted power for private gain’ (Transparency International, 2009, p. 7)

2.2. Multinational corporations (MNC) as economic and political actors:

2.2.1. Introduction to Royal Dutch Shell

The instructor should now briefly introduce the corporation Royal Dutch Shell and the main critiques (below) with regard to the performance of its sustainability agenda. We recommend structuring the information either according to Shell’s triple bottom line - economic, social, and the planet – or according to the different levels – corporate, global and local - to facilitate the discussion. With regard to the term CSR the instructor should clarify that the literature on CSR is very diverse and no consensus has been reached on the precise definition. In this case CSR should be used as an umbrella term, which considers concepts such as corporate citizenship, corporate sustainability, stakeholder theory, and business ethics. Shell also uses different terms for their CSR agenda such as sustainability or social performance agenda.

Shell’s triple bottom line approach to sustainable development

Corporate level:

- 1997: General Business Principles & Shell International Renewables
- Human Rights Compliance Assessment tools
- Training for employees (Business Principles & Code of Conduct)
- Transparency & reporting: EITI, GRI, IPIECA, internal controls, Dow Jones Sustainability Index, FTSE4Good, Carbon Disclosure Project

Global level:

- Supporter of GC, VP’s

- Global partnerships: HIV/AIDS, GGFR, Climate Action

Local level:

- CD: Shell foundation & cooperation with national programs
- Change from ad hoc assistance to dialogue & partnering

Main critique

Double standards & destruction of livelihoods:

- Oil spills: 2011 Shell admits liability (2008/09 Bodo community)
- Gas flaring: for 50 years (JV)

Transparency:

- Access to/disclosure of information

CD:

- Underperformance, lack of impact on community well-being
- Divestment & move offshore
- Policy of appeasement

Corporate governance & self-regulation

- Alleged HR abuses & environmental damage
- 'Shell police', purchase of weapons, cooperation with military to 'deal' with protesters

"Shell has in spite of extremely high self-imposed standards of social responsibility, manifestly failed to change the way it operates" (Christian Aid, 2004).

2.2.2. Mapping Shell’s local and global engagement

At this point we recommend posing the questions below to stimulate the student’s critical thinking and reasoning. Yet, depending on the students’ knowledge of the theory of the firm and concepts of a political role of MNC, the instructor might feel necessary to remind Friedman’s (1962) premise that there is a clear separation of business and politics, i.e. firms are entitled to earn profits within the rules of the system but should not interfere in the political system itself. In this sense, managers of corporations should maximize shareholder value while leaving the responsibility for social miseries, externalities, environmental protection, and the production of public goods to the state system. With regard to a political concept of corporations, Scherer and Palazzo (2008) explain that “corporations become politicized in two ways: They operate with an enlarged understanding of responsibility and help to solve political problems in cooperation with state actors and civil society actors. Furthermore, they submit their growing power and political engagement to democratic processes of control and legitimacy”. This in turn means for CSR an “extended model of governance with business firms contributing to global regulation and providing public goods. It goes beyond the instrumental view on politics in order to develop a new understanding of global politics where private actors such as corporations and civil society organizations play an active role in the democratic regulation and control of market transactions” (Scherer & Palazzo, 2011, p. 901).

- What role does Shell play at the global and local Nigerian level?
- Does the strict division of political and economic domains still hold for companies when becoming not only the addressees of public rules but also their authors?
- Has Shell even assumed a state-like role in the Nigeria?

The aim of this task is to understand how the company is positioned not only as an economic but also as a political actor. Also, students should become aware that the driving force of political CSR is the global expansion of corporations and the consequent erosion of (primarily national) institutions and processes of governance. Eventually, students will be able to appreciate that Shell has engaged in global governance and self-regulation policies, which has offset the strict division of labor between private business and nation state governance on which the dominant economic paradigm and many conceptions of CSR are built. This exercise can lead to an interesting discussion, in which many students involved in the management of organizations might disagree with the politicized role of corporations.

3. Consequences of engaging in public responsibilities

The learning objective of this section is to understand and reflect upon the consequences of the move into the political sphere. Furthermore, students should also reason on the implications of the company's application of 'double standards' and the sometimes bad consequences of much-praised practices on sustainability.

3.1. Discussion in groups or role play

Once Shell's role has been identified, the instructor can turn to the associated challenges with this new political role. The instructor should ask the question:

- Which implications does Shell's role have for the scope of corporate responsibility, legitimacy, and democratization of global governance?

To begin to respond to the main question, the instructor can divide the discussion into three groups so that one group can focus on one dimension - corporate responsibility, legitimacy, or democratic global governance structures. As an alternative the instructor can set up an interchange between different case actors in form of a role play to foster greater empathy with the case protagonists and increase class attentiveness. Depending on the class size, roles can be assigned to individual or groups of students during class or prior to the session. We recommend splitting the class into different roles such as the company Shell, civil society, the Nigerian government etc. discussing all dimensions with regard to their respective role. In a later exercise these different perspectives can be contrasted with each other. Apart from the information in the case study, the instructor should provide stimulating inputs and questions (see below) for each group discussion and students could search for updated facts and figures in real time.

a. Scope of corporate responsibility:

- Is Shell responsible for the social and environmental conditions, and governance challenges in Nigeria?
- Is it making things too easy when blaming and shaming Shell alone in a context of global interconnectedness of the oil industry?
- Does the structure of the global energy industry in which the Shell is operating diffuse responsibility for human rights and environmental conditions?
- Does Shell have a higher degree responsibility than other actors due to the company's privileged position, power, interest, and collective ability?
- Should Shell turn into a human welfare organization? Or should the company create only value for its shareholders?

Discussing these questions students should become aware that the fact that Shell's operations extend beyond nation-state boundaries and include globally dispersed persons imply ensuing challenges for corporate social responsibilities. Here it is important for the instructor to drive home important points. For example, in a context of structural social processes where there is structural social injustice (according to Young, 2006), a liability model is not sufficient for assigning responsibility. Students should consider – given Shell's position within the structural processes in terms of power, privilege, interest, and collective ability – that the company has a high degree of political responsibility to be(come) active and contributing members of the global commonwealth. For example, Shell together with other MNC was able to advance the development of international law in the areas such as multilateral trade agreements, bilateral investment pacts and domestic liberation to ensure their rights and interests. Now their rights have to be balanced with commensurable political responsibilities towards society and the planet. Still, students should not expect corporations to turn into human welfare organizations. They should do what they are best at: providing life-conducive goods and services and creating value for a multiplicity of stakeholders.

b. Conditions of corporate legitimacy:

- What is the impact of Shell's sustainability agenda on the organization's legitimacy? How do various stakeholder groups react to CSR activities?

- Is Shell's responsibility-discourse a function visibility to maintain its legitimacy or a genuine commitment to pro-actively contribute to social and environmental justice?
- Is Shell's legitimacy based on a pro-social logic or marked by unequal power-relationships, lack of transparency, and the intent to silence discourse participants?
- Has Shell's engagement come before or after the fact?
- How could Shell employ sustainability-related activities and practices to meet its public legitimacy requirements?

In the course of the discussion, students should develop a concern about the precarious legitimacy of globally active corporations in general and in controversial industry sectors in particular. Also, they should learn from this discussion that Shell has formally committed to dialogue and transparency to secure its legitimacy and thus social license to operate. Yet, the previous review of Shell's legacy in the Niger Delta should make students question a 'pro-social' communicative logic in praxis and thus discuss the basis on which corporate legitimacy should and can be build in controversial industry sectors such as oil.

c. Democratic control of corporations

- How can we control MNC when corporations do start to act as regulators themselves and when government regulation is not available or not enforced?
- How and in what sense can regulatory activities of private actors be integrated into the established concept of democracy?
- How can CSR activities promote self-regulation and diminish government intervention in and regulatory actions in relation to practices that inherently entail persistent social and environmental risks?

In line with the precarious legitimacy of globally active corporations, students should be become aware of the facts that their growing political engagement also infringes on the legitimacy of democracy at large. It questions one of the basic characteristics of liberal capitalist societies: the separation of economic and political realms on the level of society. Contrary to Friedman's (1962) claim that in capitalist societies business firms are entitled to earn profits within the rules of the system but should not interfere in the political system itself, the students have learnt that Shell has already started to engage in traditional government activities.

In this discussion, the instructor can probe students about some of the deliberative elements of both Shell's sustainability agenda and Habermas' theory of democracy (1996) to point to applicability and effectiveness of an alternative concept for the democratic control of MNC. It is based on dialogue and a 'pro-social' and a 'forceless-force-of-the-better-argument' communicative process. Yet, students should be highly skeptic of the applicability of deliberative elements in view of Shell continuing malpractice despite of highly self-imposed standards, and a lack of the institutionalization of procedures and conditions that guarantee deliberation at the global and local Nigerian level.

When addressing these questions students should realize that there remains considerable controversy as to the answer. Business can provide an important contribution to public sector resource deficits and inefficiencies. Yet, companies can face a whole host of problems if their strategies backfire and unsustainable outcomes can be (are) a reality where deliberative concepts are co-opted and formalized in a sustainability agenda but not implemented in praxis. Yet, students should also become aware of the importance to appropriately manage a company's politicized role with regard to the three dimensions in order to maintain its license to operate.

4. Decision

The learning objective of this section is to stipulate the 'best' decision and discover implications of each strategic option when faced with taking on public responsibilities.

If students have not had a chance to read the Valente and Crane's (2010) article, the instructor can simply advance the four strategic pathways in a "mini-lecture" (p.58-70), explaining that these are held to be essential to successfully adopt to the distinct challenges that companies face addressing public responsibility. After discussing, some time should be held out to take a step back and critique the framework.

4.1. Decision

At this point students should be confronted with the decision. The questions posed by the instructor should lead towards a decision and make them deal with the implementation process. For this purpose we suggest dividing the class in two groups so that each group can defend a decision – leave or stay – and argue how and why they would do so.

- What would you do in this situation? Leave or stay?
- And how would you do it?
- And why?

To identify consensus on the decision 'leave or stay' we recommend taking votes. From our test experience and also from the fact that financial issues take prominence over environmental and social issues, students tend to favor the option to stay in the country. Yet, in this case it is crucial to discuss with the students the 'why' and 'how' question for each option to create polarity. From our experience, some students quickly reconsider their initial vote when faced with the decision to resolve an alternative strategy and deal with the challenges encountered by Shell. Revisiting Valente and Crane's (2010) recommendations the students will find that Shell has not been very successful in overcoming mistrust and superficial relationships or making longer-term contributions. This might lead students to think that these challenges endure as Shell's engagement at the micro or project level within its sustainability program has had no real impact on how the core business activities are undertaken nor have they ameliorated the negative social and environmental impact of oil production on host communities. This discussion can thus lead to a more essential question: Is the company able to change the way it operates and become more sustainable?

For the discussion of the different options we provide some points which can be considered:

LEAVE

- Past decisions/experiences:
    - Chad Shell suspended operations due to increasing civil unrest in 1979
    - Shell left Ogoniland after massive community protests
- Shell also considered leaving Nigeria in the wake of Saro-Wiwa's death
- PIB (Petroleum Industrial Bill)
- Reputation & legitimacy affected by 2011 UK court ruling & UNEP report

STAY

- Nigeria is important for Shell and Shell is important for Nigeria
- Issues of liability will not disappear even with a total withdrawal

To close the discussion the instructor can repeat Valente and Crane's (2010) message:

> "The burden of public responsibility is real, and only by effectively developing an appropriate strategic orientation can programs be developed in ways that add value both to the business and to the communities in which they operate."

5. Closing

The instructor should close the session by sharing findings on political CSR, public responsibility strategies, sustainability and summarizing learning objectives acquired. He should also mention that the case of Royal Dutch Shell in Nigeria is representative for the challenges and dilemmas firms encounter when faced with a public responsibility deficit and demands for greater sustainability.

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