Impact of Environmental Sustainability Reporting on Community-Business Relations: A Study of Selected Oil Rich Communities in South - South Nigeria

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Abstract: The study sought to identify the impacts of environmental reporting variables peculiar to selected oil rich communities in South-South Nigeria and their impact on community – business relations. The study adopted a cross-sectional survey research design which focused on the observation of a representative subset. The researcher administered questionnaire to a sample of 104 respondents representing various community/group leaders, opinion leaders and other stakeholders in 8 selected oil rich communities of South – South Nigeria. The hypotheses were formulated in line with the research objectives and research questions. Accordingly the hypotheses were tested with Spearman correlation statistical tool via Statistical Package for Social Sciences (SPSS) 17.0 version. The result of the research revealed that reported financial commitment of oil companies on environmental protection does impact significantly on community- business relations, and that environmental reporting is a key in the sustainability of business organizations in exploration activities. The implication of this finding is that community- business relations will further be enhanced if business organizations especially the multinational oil companies operating in the South-South communities intensify actions that will improve their financial commitment on environmental protection. It is therefore the view of the researcher that the multinational oil companies in South- South communities in Nigeria should improve upon their financial commitments on environmental protection This among others will impact significantly and improve community- business relations which have degenerated over the years.

Key words: Sustainability, Environmental Reporting, Community, Business, Relations

1. Introduction

Sustainability is increasingly being a veritable subject in development strategies for over two decades. Sustainability is the ability of the present generation to meet their needs without compromising the ability of the future generations to meet their needs.[1] Sustainability report is a report produced by business organizations which gives information about economic, social and environmental performance of business organizations. The concept of sustainability reporting is a recent trend in reporting which has expanded over the past two decades [1]. In his view, Graffney [2] opines that sustainability reporting has to do with corporate communication with stakeholders that describes a company’s approach to managing one or more of the economic, environmental and social dimensions of its activities through providing information on these dimensions. Sustainability reporting as corporate communication with stakeholders suggests that organizational stakeholders have key roles in pre-reporting processes and procedures. In other words it requires companies to be responsible to shareholders and to all other stakeholders who are affected by the actions of the business.

Before the discovery of oil, the communities of South -South geo-political zone in Nigeria were known for their highly swampy environment ideal for general farming and fishery; but after about 50 years of oil exploration and the associated spills, and gas flaring, much of the fishery creeks are now barren. Their land has been seriously destroyed by oil activities and reduced to wasteland. [3],[4]. Human Rights Watch Report shows that between 1976 and 1996 a total of 4,835 incidents resulted in the spillage of about 2.5 million barrels (102.7 million U.S. gallons), of which an estimated 1.9 million barrels (79.7 million U.S. gallons; 77 percent) were lost to the environment. [3] The severity of this spill affected so many communities in Rivers, Bayelsa and Delta states; and also reported that in 1980 there was offshore well spurge which resulted to the discharge of 200,000 barrels of oil (equivalent of 8.4 million US gallons) into the Atlantic Ocean from a facility belonging to one of the oil companies in South -South communities. This major spill resulted to the death of about 180 people from one community due to water pollution. [4] There were also 2,054 cases of oil spill incidents from Shell Petroleum Development Company (SPDC) facilities alone in various communities in South- South communities (spills of more than one barrel) between June 2006 and June 2010. Over the period 2005-2010 (six years) the total spillage amounted to 299,000 barrels. [5]. These were directly discharged on the environment thereby causing more damages (harm) to the already battered natural environment. In 2006, a result of joint mission comprising of Nigerian, United States of America and United Kingdom Scientists reveals that the South-South Nigeria has become one of the most petroleum polluted environment in the entire world; adding that about 9 to 13 million barrels (1.5 million tons) of oil have been spilled in the region during the past five decades. The test conducted by the experts to determine the hydrocarbon content of drinking water in some South-South communities showed that the level is between 360-600 times the levels allowed in European Union countries.[6]. Nigeria National Petroleum Commission
(NNPC) estimates that approximately 2,300 cubic metres of oil spills in 300 separate incidents occur every year; whereas there may be other incidents that may not be reported at all. Several of these incidents have continued to occur. In 1989 Exxon Mobil was held responsible for oil spill in Akwa Ibom state, which released about 40,000 barrels of crude oil into the rivers, creeks and farmlands [7]. In 2003 a Nigerian court ordered Exxon Mobil to pay nearly $10 million in 1989 spill, but Exxon Mobil did not respect that judgment [8], which led to increased emission and frequent natural disaster. These environmental problems have persisted without appropriate effort to reduce the incidents. Food has increasingly become expensive and scarce. [4], [9], [10].

2. Problem Definition

Despite the wide claim and verifiable facts of sustainability reports by the oil companies in South-South for about two decades, there exist evidences of continuing denial of benefit that should accrue to these communities as oil rich communities. These evidences of continuing denial centre on very key but controversial issues that directly impact on the people. Recent studies identified these issues to include financial commitment on environmental protection by the multinational oil companies, financial commitment on capital projects in the communities, reporting on local content variables such as reporting on community health care programs and community employment programs among others [23] [6],[24],[25]. The companies and the host communities appear not to agree on these issues. These however, have been the source of community-business disagreement in most oil rich communities of the South-South Nigeria. In spite of widespread claim of adherence to the ideals of sustainability and Corporate Social Responsibility (CSR), community-business conflict has remained unabated and the multinational oil companies are steadily being accused of familiar misconduct [6]. Over the years these contrasts have degenerated into crises and conflict between the local communities and the oil companies operating in the region. Out of frustration and an attempt to forcefully put across their point, the people especially the youth took to militancy, kidnapping of foreign workers, oil bunkering and other social vices. The crises have greatly affected oil production in Nigeria and by extension oil revenue to Nigeria. There are about 14,000 pending cases on compensation brought by various host communities against oil companies operating in South-South region [26]. A scenario that suggests that ingredients of sustainability reporting peculiar to South-South communities and stakeholders may not have been incorporated in the current reporting pattern of the oil companies. In other words there is already a reporting pattern which is deficient in meeting the needs of South-South people. The deficiency in their current reporting pattern include deficiency in reported financial commitment on environmental protection, deficiency in reported financial commitment on community projects, deficiency in reporting on local content initiatives like reporting on community health care programs and reporting on community employment programs.

Therefore, it is needful to re-evaluate sustainable practice strategies by the multinational oil companies in South-South in line with its impact on community-business relations which has degenerated over the years. This became necessary because the outcome of this reporting as currently practiced by the oil giants operating in South-South appears to be tangential to what empirical studies by Koonz and Weilrich, Graiths and later Ioannou and Serafeim hold as benefits of sustainability reporting[27],[22],[28].

2.1 Objective of the Study

1. To ascertain whether reported financial commitment of the oil companies on environmental protection impacts significantly on community-business relations.

2. To find out whether environmental reporting impacts significantly on the sustainability of businesses in exploratory activities in Nigeria.

3. Literature Review

3.1 Environmental Protection and Financing

In recent time, the quest for environmental protection by business organizations and the need to appropriately provide for distortions occasioned by business activities are increasingly receiving attention of stakeholders.[1] The United Nations World Commission on Environment and Development 1987 report titled “Our common future”, emphasized the need for environmental sustainability; which simply deals with the process of making sure that current process of interaction with the environment are pursued with the mind of keeping the environment as pristine as naturally possible; by ensuring ideal-seeking behavior by business organization. Business is one of the greatest destroyers of the natural environment especially in our present technological age [11]. Business impact on environment differs from one business organization to another or from one sector to another. It may be misleading to think that environmental protection and financing should only be a concern for multinational business organizations like the oil companies operating in the South-South Nigeria.

In developing countries collection and management of data about the private sector and businesses generally remains a great concern to stakeholders. Without effective data management system, environmental planning and financial program may not be effectively carried out. One of the major dilemmas of environmental financing in developing countries is that the multinational companies take advantages of the weak policy structure in the system to claim ignorant. Karamanos [14] suggested a voluntary environmental agreement as an approach to environmental protection by business organization. This was later supported by Blackman [15], but argued that it may not achieve its target especially in developing economics. He further said that the major challenge with agreement approach is in establishing base data monitoring and reporting strategy. He concluded that due to difficulties inherent in its evaluation process, the environment may be affected adversely at the long run. Blackman’s view was affirmed and supported by the facts revealed by Solomon [16] who opines that environmental protection is affected by three interrelated factors; which include environmental legislation, ethics and education. The outcome or the effect of these factors may be negative if community’s role and stake are not factored into these efforts. The community
where business exists knows how the environment was, before the commencement of business activities; they equally understand the volume of distortion. They experience day to day actions of business organization in their environment. Their input and role in ensuring compliance should not be neglected by mere formation of policy, ethics and educational effort.

It therefore becomes necessary that the community act as watch dog in ensuring compliance with legislations, ethics and education. A recent study in United Kingdom reveals that a community organization held British Petroleum (BP) accountable for forced displacement and contribution to a culture of fear. It was also established by several testimonies by small scale farmers that their lands were turned over to BP after being forced to sell it to paramilitary groups. Apart from this, BP is also being charged for contaminating rivers and ponds in the area. In the past, effort by business organization to protect the environment was seen as cost instead of benefit which it is [17].

3.2 Business Strategies on Environmental Protection

Sustainable development promotes business strategies that integrate environmental, economical and social values in business decision making. Sustainable development reflects not the trade-off between business and environment but the synergy between the two. Increasing level of carbon dioxide concentration in the atmosphere is responsible for climate change. This has impacted greatly on human life. Accordingly, environmental pollution and ecological distortions has meant serious economic loss for countries of the world. In 2005 economic loss occasioned by pollution in China was calculated at 7.7% of Chinese GDP, and grow to 10.3% in 2012[18]. Environmental reports can serve multiple purposes and these vary based on the content of information provided, presented, and the intended audience. While studies have analyzed aspect of environmental guidelines for environmental reporting, the principle and guidelines for environmental reporting that have been recently issued by several organizations have not been thoroughly reviewed. The Intergovernmental Panel on Climate Change (IPCC) of United State of America in 2007 reported that the climate change is majorly as a result of increase human activities which have significant economic, social, and security implications [19]. The health condition of the environment also impact significantly on the behavior of business organization and government at all levels. In developed world especially in the United State of America, the business world and government have seriously responded to this challenge. For instance the US government through various legislations has strengthened federal environmental laws and policies especially in the area of energy efficiency, renewable energy, toxics reduction, recycling, sustainable buildings, vehicle fleet, water conservation and other relevant area. At the states level, there was the implementation of low impact development and carbon reduction policies, the aim was to reduce global warming and pollution current level to 7% below 1990 level by the end of year 2012 which has just ended [20]. The accounting bodies in developed world and specifically in America have also made great stride in this regard, in 2005 Financial Accounting Standard Board (FASB) issued a new interpretation standard. These reporting procedures requires firms to identify assets such a building sites, mines, chemical plants and nuclear power facilities that could cause long-term environmental damage and that the firm may require more environmental friendly actions toward dealing with these assets.

In Africa lack of data and inconsistency of government policies do not allow for realization of policy targets. Businesses that have developed proactive strategies in this regard are reaping significant benefits [21]. This view is supported by Giffiths, [22] who affirmed that in the past, efforts made toward sustainability and commitment to climate change was viewed as a cost and threat to the survival of an organization, rather than opportunity which it is. In developing world businesses organizations appear not to be aware of the prospects associated with sustainability reporting, especially as it affects their day to day activities. This may probably account for low reporting rate associated to the region. It therefore beholds on stakeholders including the government at all levels to act swiftly towards ensuring high level compliance among business organizations especially those whose activities impact much on the environment.

4. Methodology

The study adopted a cross-sectional survey research design. The study was carried out in 8 selected oil rich communities in South-South Nigeria; the researchers adopted a sample size technique called creative research system sample technique and arrived at the sample size of 104 staff/residents. The researchers developed and administered structured questionnaire to the staff in public relations departments/units of each of the 4 selected oil companies and to community leaders of 8 of the selected oil rich communities (the representatives of town/community unions and groups and opinion leaders of each of the 8 selected communities). Data were collected from these groups of respondents using a survey instrument that incorporates both open and close ended questions. The researchers used Spearman correlation as a statistical tool and technique of data analysis of this study.

5. Results

**Table 1: EFC * FCCBR Cross tabulation**

<table>
<thead>
<tr>
<th>Count</th>
<th>FCCBR SD</th>
<th>D</th>
<th>U</th>
<th>A</th>
<th>SA</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>EFC</td>
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<td></td>
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<tr>
<td>SD</td>
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<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
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<tr>
<td>D</td>
<td>1</td>
<td>7</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>A</td>
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<td>0</td>
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<td>9</td>
<td>24</td>
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</tr>
<tr>
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<td>0</td>
<td>1</td>
<td>7</td>
<td>60</td>
<td>68</td>
</tr>
<tr>
<td>Total</td>
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<td>10</td>
<td>2</td>
<td>22</td>
<td>69</td>
<td>104</td>
</tr>
</tbody>
</table>

Source: SPSS output

**Table 2: Spearman’s Correlation Output**

<table>
<thead>
<tr>
<th>Spearman’s rho</th>
<th>EFC</th>
<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFC</td>
<td></td>
<td>.719**</td>
<td>.0</td>
</tr>
<tr>
<td>FCCBR</td>
<td>104</td>
<td>.719**</td>
<td>.0</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)**

Source: SPSS output
Table 3: Symmetric Measures

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Asymp. Std. Error</th>
<th>Approx. T</th>
<th>Approx. Sig.</th>
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</thead>
<tbody>
<tr>
<td>Interval by</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Interval</td>
<td>Pearson's R</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>0.886</td>
<td>0.032</td>
<td>19.348</td>
<td>.000</td>
</tr>
<tr>
<td>Ordinal by</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Ordinal</td>
<td>Spearman Correlation</td>
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<td></td>
<td>0.719</td>
<td>0.071</td>
<td>10.458</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>104</td>
<td></td>
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</tr>
</tbody>
</table>

a) Not assuming the null hypothesis.
b) Using the asymptotic standard error assuming the null hypothesis.
c) Based on normal approximation.

Source: SPSS output

From Table 2 and 3, we can deduce that the significant Spearman correlation coefficient value of 0.719 confirms a strong positive correlation between the two variables. SPSS report of the P-Value for this test is .000 against the pre-set value of 0.01. Therefore we can say that we have a strong evidence to accept the alternative hypothesis and reject the Null Hypothesis. (Accept H1 and reject H0)

6. Findings

1) Major findings of this study can be summarized as follows:
2) Reported financial commitment of the oil companies on environmental protection in South-South communities does impact significantly on community- business relation.
3) Environmental reporting impacts significantly on the sustainability of businesses in exploratory activities in Nigeria.

7. Discussions

Environmental protection is a vital ingredient of sustainability reporting in the business of the oil companies in South-South Nigeria. This is clearly identified in the problem statement and the review of relevant literatures respectively. Therefore the analysis and the discussions that follow are aimed at addressing a veritable component of sustainability reporting. Secondly reported financial commitment on environmental protection is clearly evidenced in the companies’ efforts on environmental protection; because the later is directly linked to the former. So the emphasis on environmental protection efforts of the oil companies in the discussion below is predicated on the fact that it is a reflection of all reports on financial commitments on environmental protection by the oil multinational in these communities.

Okorie corroborated the findings above in his observation that an estimated 20% of global gas flares occur in the South-South, from approximately two billion cubic feet of natural gas burned daily [7]. It appears that most business organizations in the past especially the oil companies in South-South Nigeria did not consider the weight of these distortions and as a result never made substantive efforts or have robust programmes that address environmental issues at the beginning. In recent time the effect of business activities has started creating noticeable impact on the environment; this is confirmed in a report of Environmental Right Action and Global Reporting Initiative that oil pipelines laid across Ogoni have been causing oil pollution which has severe impact on the natural environment. The communities have also alleged that the oil companies have by all standards shown little regard for the huge negative impacts of their business activities on both people and environment across communities in South-South Nigeria. Oil spills from oil installations (pipelines, flow lines, well heads, flow stations, storage tanks etc) occur at regular basis in south-south Nigeria; Business organization organizations especially the multinational oil companies whose activities impact greatly on the environment were suppose to review their strategies to develop a work plan towards sustainability, they were also expected to develop a functional and integrated environmental ethics that will be sustainable and also form part of corporate strategy. The communities were not consulted in major decision processes even those that have direct implications on the environment. Most communities allege that responses to oil spills by oil companies revealed the scenario as mark of disrespect for communities in distress, whose water and food sources may be polluted or destroyed by such incidents. Most occasions, community members allege that the cause of spills is the age of the oil companies’ pipelines, many of which are in urgent need of replacement. Community members also reported that many if not most spills are never properly cleaned up. So called clean-ups are very often more than cover ups. Some of the attempted clean-ups lack the requisite expertise for bio-remediation of a devastated environment. A standard clean up exercise often involves a superficial process of scooping up the surface soil and covering the area with white sand transported elsewhere. However, under the Nigeria law, oil companies are not obliged to pay compensation when spills are caused by sabotage. On many occasions, oil companies have hastily alleged sabotage as the cause of spillage often without investigations or verifications [6]. The mean responses of the respondents on financial commitment on environmental protection revealed that 23 out of 104 agreed that the oil companies in South-South communities have actually spent their resources on environmental protection. This is against 78 respondents that disagreed, while 11 respondents were undecided. By this result, it is therefore very difficult to conclude that the oil companies have not been investing in protecting the environment. However, the alleged lack of transparency in handling the amount of oil spill and other environmental hazard could be reasons why the huge amount claimed to have been invested in protecting the environment has not yielded the desired result. The non adherence to ethical issue as it affect environmental hazard could be one of the reasons why the huge amount claimed to have been invested in protecting the environment has not yielded the desired result. The implication of this result is that ethical issue as it affects environmental protection and financing were not properly observed or rather was not properly incorporated as part of organizational strategy. Apart from none ethical practice; none existence or weak environmental educations regulation in Nigeria accounts for the neglect of the environment by the multinational oil companies. To support this finding, Solomon notes that environmental protection is affected by three interrelated factors which include
environmental legislation, ethics and education [16]. Communities where these distortions take place are expected to take legal and civil actions to ensure that the business organizations are held responsible for their activities against the natural environment. In several occasions Shell Petroleum Development Company construct a camp within or adjacent to any community where it operates, workers are provided with the trappings of modern life facilities including 24 hours electricity, drinking and tap water; a display of affluence unimaginable to neighboring communities which live in abject poverty. The birth of militancy in South-South Nigeria is therefore traceable to this disparity.

8. Conclusion

The study concludes that environmental reporting is key in the sustainability of business organizations in exploration activities in Nigeria. Hence reported financial commitment of the oil companies in South-South Nigeria on environmental protection does impact significantly on community-business relations. The study further revealed that this is predicated on the fact that there has been total neglect over the past five decades by the oil companies occasioned by unsustainable business practice. Multinational oil company’s efforts in reporting over a decade now are yet to adequately address the backlog of environmental neglect in the region. Apart from this, there is high level of inconsistency of government policies, lack of political will to regulate the industry properly and lack of transparency in handling environmental matters on the part of the oil companies. Their reporting strategies are still being criticized for incompleteness, inconsistency and also lacking necessary input from key stakeholders like the communities who are directly affected by their business activities.

9. Future Scope

Based on the findings of this study, we hereby recommend that Government and stakeholders should review the sustainability of business organizations in exploration activities in Nigeria. Hence reported financial commitment of the oil companies in South-South Nigeria on environmental protection does impact significantly on community-business relations. The study further revealed that this is predicated on the fact that there has been total neglect over the past five decades by the oil companies occasioned by unsustainable business practice. Multinational oil company’s efforts in reporting over a decade now are yet to adequately address the backlog of environmental neglect in the region. Apart from this, there is high level of inconsistency of government policies, lack of political will to regulate the industry properly and lack of transparency in handling environmental matters on the part of the oil companies. Their reporting strategies are still being criticized for incompleteness, inconsistency and also lacking necessary input from key stakeholders like the communities who are directly affected by their business activities.

Also, the oil companies operating in South-South communities should henceforth step up their financial commitment on environmental protection and employ a more transparent approach in dealing with environmental challenges; with strategic evaluation and reporting mechanism that will encourage stakeholders’ involvement.

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