CORPORATE SOCIAL PERFORMANCE IN OMAN INTERNATIONAL PARTNERSHIPS, ANY EFFECT?

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Abstract—This study offers an empirical analysis of corporate social performance (CSP) and practices in a Middle Eastern context (Oman) focusing particularly on one large petroleum enterprise. This company (Petroleum Development Oman, PDO) has been chosen in particular to understand the influence of the British Shell in developing CSP practices in the selected company since it partly owns PDO.

Two CSP conceptualizations—one by Wood (1991) and the other used by Shell—have been adopted for the purpose of this study. Applying the newly synthesized framework, the research critically analyses and discusses the CSP approaches and philosophies of PDO. Qualitative document analysis was applied for the analysis.

The results suggest there is a systematic and focused approach to CSP in PDO. The results are qualified within the existing models and subsequently relevant implications were drawn.

The study has made an important contribution to the scant literature on CSR/CSP in developing economies by providing the perspectives from such a country (Oman).

Index Terms—corporate social responsibility (CSR), corporate social performance (CSP), developing countries, Oman.

I. INTRODUCTION

Globalisation, environment pollution and lack of resources have exerted immense pressure on organisations to conduct business in a more socially responsible manner as in "[11]" and "[2]". Accordingly, an increasing number of companies throughout the world are integrating corporate social responsibility (CSR) into all aspects of their business operations. These organisations explicitly demonstrate their commitment to CSR in their visions, missions and value statements. Going beyond profit maximisation, most CSR reports now address a wide range of stakeholders including employees, customers, shareholders, the government and the community at large [3].

The current study presents the results of a case study—examining the CSP practices of Petroleum Development Oman (PDO), PDO is a private company that controls all oil and natural gas resources in Oman. It accounts for more than 90% of the country's oil reserves and 85% of production. PDO is a partnership between the Omani Government (60%), Shell (34%), Total (4%), Partex (2%). PDO is the leading oil producer in Oman.

The present study has been undertaken with the aim of examining the various aspects of CSP in Oman with particular reference to oil and gas industry. Using the lenses of two complementary models: one theoretical developed by Wood [4], and the other is an industry one used by Shell [5], an examination of whether the current practices of CSP in Oman are similar or different to CSP practices in the developed world and whether these practices are motivated by a collaboration between the global enterprises and local companies.

A. Research Questions

The research objectives have been operationalised in the form of the following specific research questions: (1) how does PDO interpret and implement CSP? and (2) what is the role of Shell in developing CSP in PDO?

II. LITERATURE REVIEW

A review of literature on CSR reveals that CSR practices in developing countries have not received much attention. Among the few studies that address developing countries is the comparative study of CSR practices across Europe, North America and Asia carried out by Welford [6]. Welford argues that CSR is less prevalent in developing economies compared to its counterparts in the developed world.

Birch and Moon [7] found that CSR practices significantly differ within Asian countries, addressing a wide variety of issues. They also note that in order to adopt CSR, businesses engage in various actions that range from volunteering and partnerships to establishment of foundations. Interestingly, many researchers have pointed out that CSR in Asia tends to follow trends observed in the developed world, although the focus might differ as in "[8]" and "[9]". Similarly, Mullar and Kolk [10] found that CSR performance in Mexico is commonly compared to that of the developed countries.

The MENA region outperforms other regions owing to its regional, organised and policy-driven approach to CSR. The concepts of CSR, sustainable development and environmental responsibility have started to gain strong government support. The government recognises the importance of CSR because it contributes to enhancing competitiveness, attracting investment and maximising the wealth value of its citizens as in "[2]", "[11]", "[12]", "[13]", "[14]", and "[15]".

In summary, there is a lack of resources and academic literature that address CSP practices in the developing economies, particularly resources that deal with public–private partnerships in developing CSP.

III. WOOD'S MODEL OF CSP AND FOSSGARD-MOSER'S FRAMEWORK

This study uses two conceptual frameworks—a theoretical model developed by Wood [4] (see Table 1) with a practical model used in the oil industry (see "Fig. 1" and "Fig. 3") [5]—in order to better describe and interpret the CSP practices of PDO. These two complementary models will be used for the current study; so that one model can compensate for the gaps in the other model and thus provide a more robust framework for analysing PDO’s SP practices. The model used by Shell, though more practical for analysis for the sake of this research, still needs to be evaluated in relation to what SP scholars say. A
new framework will be synthesized for analysing and discussing the CSP approaches and philosophies of PDO.

Wood [4 p. 693] defined CSP as a ‘business organization’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships’. This comprehensive definition considers CSP as broader than CSR. According to Wood’s model, CSR includes three norms at various levels of analysis: institutional, organisational and individual (see Table 1). Further, CSP consists of organisational processes involving environmental assessment, stakeholder management and issue management and, most importantly, a number of measures of its external societal effects, for example, social impacts as in "[4]" "[16]."

Besides Wood’s model, an industry framework developed by the Shell Group will be used. This model is referred to as the Social Performance Management Framework [5] (see "Fig.3"). The framework adopted by Shell is used for the study because a part of PDO is owned by Shell. Moreover, an initial analysis of PDO’s website and documents revealed that the same SP framework is available on PDO’s website (see "Fig.1 and Fig.2").

Further, Shell has been highly influential in the development of SP in the petroleum industry since it is a global group of energy and petrochemical enterprises with around 101,000 employees in more than 90 countries throughout the world. Shell has over a decade’s experience in environmental and social practices [17]. Added to that, it was noticed that some parts in the model

**TABLE 1: WOOD’S SOCIAL PERFORMANCE MODEL**

<table>
<thead>
<tr>
<th>Principles of corporate social responsibility</th>
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<tr>
<td>Institutional principle: legitimacy</td>
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<td>Organizational principle: public responsibility</td>
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<td>Individual principle: managerial discretion</td>
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<th>Processes of corporate social responsiveness</th>
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<tr>
<td>Environmental assessment</td>
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<td>Stakeholder management</td>
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<td>Issues management</td>
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<th>Outcomes of corporate behavior</th>
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<tr>
<td>Social impacts</td>
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<td>Social programs</td>
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<td>Social policies</td>
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Source: Wood [4, P. 694]

used by Shell were drawn from Wood’s model [4] (see "Fig.3"). Thus, the categories and parameters used for the case study analysis were drawn from those two models that are used in a complementary fashion.

**IV. THEORETICAL FRAMEWORK**

An illustration of how Wood’s model (see Table 1) and the framework adopted by Shell (see "Fig. 3") are related to each other will be discussed in the following paragraphs. Based upon the discussion of the two models, a new theoretical framework will be developed for the purpose of the current study.

**A. Principles of CSR**

1) *Legitimacy and Public Responsibility*

The concept of delivering SP (as in "Fig. 1") discusses the strategic approaches that Shell has adopted to deliver greatest business and societal benefits. Less emphasis is given to philanthropy because it is usually unrelated to an operation’s social and environmental responsibilities or its business objectives.

The rate of emphasis increases as the activities become more related to operational impacts. Thus, it moves away from philanthropy to strategic social investment, which is referred to programmes undertaken by Shell operations linked to operational impacts and concerned with enhancing project related opportunities to local communities and other stakeholders [5].

Finally, the greatest emphasis is given to social impact assessment, which Shell defines as ongoing and routine activities to enhance local and national socio-economic benefits and avoid and minimize negative impacts from Shell’s operations and activities [5].

Delivering SP stems from Shell’s beliefs that it does not have an inherent right to exist in a certain community unless it adopts various strategies to legitimise its actions [17]. Campbell, Craven and Shrives [18] and Wheeler, Fabig and Boele [19] note that enterprises operating within industries that can damage the environment and society by their very nature are likely to be questioned on their legitimacy in the absence of CSR implementation through deliberate business initiatives. This is certainly true for the oil industry. Delivering SP corresponds with the principle of legitimacy discussed in Wood’s model (see Table 1).

Moreover, delivering SP is also apparent in Shell’s attempts to engage with the societies where it operates to identify areas of major and minor involvements as discussed above. This is captured in Wood’s model as public responsibility, which is the second principle of CSR.

2) *Managerial Discretion*

Fossgard-Moser [5] argues that to optimally manage the CSR framework, it should be used as part of the available management system and as part of engagement and partnership with external stakeholders.

**B. Processes of Corporate Social Responsiveness**

1) *Environment Management*

Fossgard-Moser’s [5] framework describes different methods of managing the environment that are not clearly stated in Wood’s model. These methods are illustrated in parts B, C and D of the framework (as in “Fig. 3”) (Identifying and Assessing Operational Impacts, Limiting Adverse Impacts and Delivering Benefits, respectively).
2) **Stakeholder Engagement**

Fossgard-Moser’s framework ("Fig. 2" and "Fig. 3") explains the techniques that should be employed when engaging with stakeholders in greater detail than Wood’s model (Table 1). Effective stakeholder engagement entails transparency and trust between an institution and its stakeholders. Such an engagement strengthens accountability and performance, helps in early risk management, facilitates new products and service development and improves decision making. Stakeholder engagement is essential for the success of enterprises as in ["20"], ["21"], and ["22"].

3) **Issue Management**

Wood argues that issue management is an essential process that requires devising issue-response tactics and strategies to minimise ‘surprises’ and integrating social and business policies [4]. Part E in Fossgard-Moser’s framework (Planning, Resources, People) describes some of the strategies and tactics needed to manage certain issues (see "Fig. 2").

C. **Outcomes of CSP**

The final part of Wood’s model that concerns the Outcomes of SP: Social Impacts, Programs and Policies, which has a direct and obvious interest in assessing CSP (Table 1) [4] is referred to as Measurement & Communication in Fossgard-Moser’s model (see "Fig. 3"). Measurement and communication stress the significance of monitoring, evaluating and communicating the different aspects of CSP in order to handle social issues and stakeholder interests.

The arrows in Fossgard-Moser’s framework indicate that business benefits, in turn, will have an influence on all the other aspects of CSP: stakeholder engagement; impacts identification and assessment; adverse impacts limitation; delivering benefits; planning, resources, people; and measurement and communication.

Similarly, Wood’s CSP model (Table 1) also discussed CSP outcomes that are associated with economic benefits, stakeholders and society as in [22].

**Fig. 2: The Social Performance Wedge, Source: PDO website (www.pdo.co.om)**

**Fig. 3: Social Performance Management Framework**

Thus, based upon the two models, a new framework is created to analyse CSP practices in PDO (see Fig. 4).

**V. DATA COLLECTION**

This study employs a case study analysis of a large company (PDO) to explore how and why CSP is practiced in Oman. Hence, the following materials were used for data collection in this research: (1) PDO’s annual reports, (2) PDO’s website, (3) Al-Manhal: a quarterly magazine published by PDO, (4) Al-Fahal: a monthly newsletter for PDO and its contractors, (5) PDO’s media briefing, and (6) Press releases.

This study regards annual reports and other standalone disclosures as corporate communications through which the corporation may try to influence the perceptions among different stakeholders and society as a whole of its position on social and environmental issues. This study employs a qualitative policy analysis. Policy analysis entails an analysis of any source of information—whether documents or people—through interviews CSP Practices in PDO.

**VI. ANALYZING CSP IN PDO**

This section summarises the present understanding, approaches, and tools in relation to the concept of SP within PDO. The analysis follows the theoretical framework presented in figure 4.

Within PDO, SP is about "how PDO manages the impact of its business on the communities and societies in which it operates." This definition fits in with the overall commitment of PDO to sustainable development, as verbalised in PDO’s business principles. The PDO SP objective is to support the community through strategic social investment initiatives by examining the social impacts of a project and the needs of the community [23].

PDO’s definition and objectives of SP are closely related to Shell’s definition and objectives. Shell defines SP as ‘an ongoing process that incorporates all the different ways Shell operations contribute positively and negatively, directly and indirectly to the communities and societies where Shell operates’ [5, p.105]. Shell has developed the following three objectives: reduce the negative impacts resulting from Shell’s operations; develop positive opportunities for local communities and other stakeholders; and conduct activities that contribute more broadly to the societies and communities where Shell operates [5, p.105]. This similarity in definition and objectives reflect that Shell exerts some influence on PDO’s understanding of CSP. Shell’s influence on PDO can be attributed to the two companies’ longstanding partnership in Oman from the 1950s [24].
Fig. 4. Social Performance Framework for Oil Industry

PDO follows a number of strategic approaches including social impact management, strategic social investment, social investment and philanthropy in order to (a) legitimise its business operations and (b) fulfil its public responsibility towards the communities where it operates. Because PDO is involved in oil production, which accounts for 67 per cent of the total Omani revenue [25], it becomes naturally responsible for accomplishing a number of tasks for the society, including funding oil and gas production-related expenses, budget expenses, development costs, salaries and other tasks.

PDO is expected to satisfy the needs of different stakeholders including the government, community, media, customers and shareholders. It can be said that PDO has adopted the SP wedge as in "Fig. 2" to identify areas of major and minor involvement. Thus, in order to deliver greatest business and societal benefit, PDO places the greatest emphasis on identification and management of its operations through good social impact management and on the enhancement of project-related opportunities through strategic social investment [26].

Additionally, PDO uses a social geographic information system (GIS) to identify local communities where business operations take place at an early time [23]. The use of the GIS system shows PDO's commitment to operating in a more socially responsible manner and enhances the integration of SP principles into its business.

PDO has implemented the same four strategic approaches as Shell, and it even utilises the same model for delivering SP "Fig. 2". The following paragraphs explain the four approaches used by PDO.

The first approach is social impact assessment, defined by PDO as ongoing activities planned to reduce and mitigate negative impacts related to PDO’s operations. It is an element of the Integrated Impact Assessment (IIA) that PDO undertakes to assess its operations and develop local and national socio-economic benefits [23]. As can be seen from "Fig. 2", PDO is more concerned with social impact assessment than philanthropy or other social investment because social impact assessment is related to areas of major involvement.

The second SP approach followed by PDO is strategic social investment, which deals with programs designed to deliver social benefits and economic opportunities to local communities affected by PDO’s business operations [27].
3) Issue Management: Corporation and Responsibility for PDO

This section summarises the key steps and policies adopted by PDO. Some of key steps implemented by PDO have been collaborative ventures or PDO’s self-regulation, public–private partnership, employee training and social and environmental impact assessment. Policies have been developed to integrate social and business policies and to minimise ‘surprises’[4]. PDO’s General Business Principles statement stresses the importance of protecting the health and safety of its employees, contract employees and other persons affected by PDO’s business operations. It also highlights the significance of protecting the environment, minimising pollution and seeking improvement in the efficient use of natural resources.

Thus, findings suggest that PDO has adopted three corporate responsiveness strategies: environment, stakeholder and issue management. PDO also communicates its CSR activities internally and externally. Moreover, it partners with governmental and non-governmental organisations to accomplish its CSR objectives.

C. Outcomes of Corporate Behaviour: Measurement and Communication

PDO systematically measures the social impacts of its CSR interventions and reports its corporate social practices in its official website and annual reports, through its newsletter Al-Fahal and its magazine Al-Manhal. These are published by PDO and also shared on its official website. PDO is also according attention to social assessment devices such as the IIA. By discussing its CSR impacts, PDO is contributing to the national economy. Besides, it has incorporated indicators for workplace practices including the health and safety of employees.

VII. THE ROLE OF SHELL IN DEVELOPING CSP IN PDO

This section summarises Shell’s contribution towards developing CSP initiatives in PDO. It is apparent that Shell exerts a significant influence on PDO’s understanding and practices of CSP. This influence is reflected in PDO’s definition and objectives of CSP, which are similar to those of Shell. Moreover, the factors that motivate PDO to implement CSP exercises are in line with those of Shell: legitimacy, public responsibility and managerial discretion. Interestingly, PDO follows the four strategic approaches that Shell has adopted for conducting its SP projects: social impact assessment, strategic social investment, social investment and philanthropy.

Further, PDO implements the same model of SP wedge as Shell (see “Fig. 1” and “Fig. 2”). Similarities can also be observed in the processes of corporate social responsiveness (environmental management, stakeholder management and issues management) adopted by PDO and Shell. PDO is also attempting to achieve transparency in communicating its social programs and measuring its operation impacts through IIA.

VIII. RESEARCH CONCLUSIONS

Building on Wood’s [4] (Table 1) and Fossgard’s “fig.3” conceptualisations, this paper has attempted to present an in-depth understanding of CSP in PDO, a company operating in Oman. This case study confirms that a local company in Oman engages in CSP activities commonly associated with enterprises in developed countries. A comparison of CSP practices adopted by PDO and Shell indicates that the CSP practices of PDO are comparable to those followed within developed countries. This finding implies that CSR expertise

REFERENCES


