

UNIVERSITY OF SOUTHERN QUEENSLAND

**AN EXAMINATION OF SOCIAL AND
ENVIRONMENTAL DISCLOSURES IN NIGERIAN
OIL COMPANIES**

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A dissertation submitted in fulfilment of the requirements for the
degree of Doctor of Philosophy

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Toowoomba, Queensland,
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July 2014

ABSTRACT

A review of the Social and Environmental Disclosures (SED) literature reveals that this area of accounting has been the subject of various studies in different countries, particularly in developed countries. SED does not apply universally to all countries that are in various stages of economic development and to companies that have differing levels of awareness and attitudes. SED are often perceived as a tool for communicating the social and environmental effects of a company's actions to its relevant interest groups and to the society as a whole. Stakeholders have become increasingly concerned about the way in which companies interact with society and the environment. Consequently, the increased interest in the social and environmental impacts of companies has resulted in heightened pressure from stakeholders for SED. This study seeks to: (1) identify Nigerian host communities' (HCs) perceptions of SED by oil companies; (2) examine the quantity and quality of SED in Nigerian oil companies; and (3) distinguish if there are differences between local and foreign oil companies in regards to their SED.

This study is divided into three parts. In the first part, identifying factors influencing and shaping HCs perceptions present fertile ground for a better understanding of community actions. Primary data was collected through semi-structured interviews from members of three HCs in the Niger Delta; Ogbunabali community in Port Harcourt (Rivers State), Biogbolo community in Yenagoa (Bayelsa State) and Ogonu community in Warri (Delta State). The interview data was recorded, transcribed and qualitatively analysed through content analysis using the NVivo 10 software program. The results show that HCs perceptions are largely informed by the contradictions of wealth generation through oil production amidst widespread poverty resulting in anger, frustration and hostility towards the oil companies. The companies are perceived as being responsible for the negative impacts of oil exploration and extraction. Perceptions regarding both the negative and positive aspects of the oil companies operations were identified. These included environmental concerns; lack of compensation; health effects; lack of social development;

neglecting communities; not creating enough employment opportunities and infrastructure; and not providing community and educational support.

In the second part, this study examined the quantity and quality of SED of the oil companies. Fifteen companies listed on the Nigerian Stock Exchange, as well as an additional three non-listed major foreign companies (Shell, Chevron and Agip), were selected for analysis. The latter were chosen because of the scale of their operations in Nigeria. Annual Reports (AR) from 1992 to 2011 were examined using content analysis. SED activities were reported by most of the companies and by quantity, employee information was found to be the most common type of disclosure. Most SED were almost always general and limited in nature, declarative (that is, descriptive) with non-monetary quantification in terms of financial impacts. Companies are engaging in impression management to convince stakeholders, government and the HCs that they are ‘good corporate citizens’. SED quantity and quality in the environment category was found to be overwhelmingly low despite the large scale public concern expressed about the level of environmental degradation caused by the operations of oil companies.

In the third part, this study sought to distinguish SED levels by comparing local and foreign companies operating in the oil sector. It sought to identify differences between local and foreign companies’ SED practices. A Social and Environmental Disclosure Index (SEDI) was constructed to evaluate the contents of SED in AR. Furthermore, a dichotomous method was employed to identify SED sentences based on a checklist of 62 items in the SEDI. Local companies were found to provide more extent, type and nature of SED than foreign companies. However, local companies reported mostly general SED information. Results reveal that majority of the total SED in both local and foreign companies was positive news.

This study enriches the existing SED literature by examining the state of voluntary disclosures made by companies in the context of a developing country. The findings of this study provide more insights into the current status of SED in an environmentally sensitive industry.

CERTIFICATION OF THESIS

I certify that the work presented in this dissertation is entirely my own effort, except where otherwise acknowledged. This thesis represents my own original work and has not previously been submitted for a degree in any other university.

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ACKNOWLEDGEMENT

While it is not possible to list all the people that helped in bringing this thesis to reality, I hope to thank every individual in person who has played a part in a journey that began years back. There are, however, a number of people I wish to thank for their significant contributions.

My greatest gratitude goes to my supervisors Dr Albert Scott and Professor Jeff Gow. I wish to acknowledge the enormous intellectual assistance and encouragement they provided me. I am greatly indebted to them for their valuable guidance and suggestions. Their thoughtful comments, advice and continuous support made my work much easier. Thank you for all your efforts in making sure that the completion of this thesis is possible. My sincere appreciation goes to Professor Kieran James for encouraging me to come and pursue my studies in Australia. Special thanks go to Libby Collett for her proofreading services.

I also thank my family for their various contributions to the success in my studies. To my mother Professor Florence Odera for being the source of my inspiration in pursuing the PhD. To my brothers (Tonny, Tom and Mike) and my sisters (Dr Beatrice Odera-Kwach and Judy) for your love, encouragement, moral and financial support. Without their encouragement and prayers I could not have finished my study.

My special thanks go to my wife Mary and daughter Sally for their love, understanding, patience and support of my academic pursuit.

This acknowledgement would not be complete without thanking God Almighty who really made it happen. Therefore, I thank God for making the completion of this thesis possible and for giving me life.

DEDICATION

This thesis is dedicated to the memory of my late Father Professor Odera Ongudu, who passed away during the late stages of this thesis. Baba, thank you for your support, faith and belief in me.

TABLE OF CONTENTS

ABSTRACT	i
CERTIFICATION OF THESIS	v
ACKNOWLEDGEMENT	vii
DEDICATION	ix
LIST OF ABBREVIATIONS	xxvii
Chapter 1 INTRODUCTION	1
1.1 Background to the study	1
1.2 Research problem	3
1.3 Aims and research questions	5
1.4 Motivation and contribution	5
1.5 Justification of the study.....	6
1.6 Methodological approach	8
1.7 Structure of thesis	8
Chapter 2 LITERATURE REVIEW	9
2.1 Introduction	9
2.2 SED Theory	9
2.2.1 The nature of SED.....	9
2.2.2 SED information	10
2.2.3 Historical background of SED	11
2.2.4 Motivations for SED	12
2.2.4.1 Business case-related motivation.....	13
2.2.4.2 Morality-related motivation.....	13
2.2.4.3 External pressure-related motivation.....	14
2.2.4.4 Conclusion	14
2.3 SED Evidence.....	15
2.3.1 Examining SED quality.....	15
2.3.2 Developed countries studies on SED practices.....	18
2.3.3 Developing countries studies on SED practices.....	22
2.4 Limitations of prior studies	26
2.5 Conclusion.....	27
Chapter 3 THEORETICAL FRAMEWORK	29
3.1 Introduction	29
3.2 An Integrated Theoretical Framework to study SED	29
3.3 Dialectical Materialism Theory	32
3.4 Alienation Theory.....	34
3.5 Political Economy Theory (PET)	37
3.6 Application of the Adopted Theoretical Framework to this study.....	39
3.7 Conclusion.....	41

Chapter 4 RESEARCH METHODOLOGY	43
4.1 Introduction	43
4.2 Research design	43
4.2.1 Area of study	44
4.2.2 Study population and sample	45
4.3 Data collection procedures and sources of data	46
4.4 Primary research	47
4.4.1 Interviews	47
4.4.2 Sample selection.....	48
4.4.3 Data collection	49
4.4.4 Unit of analysis for interview data	49
4.4.5 Quality of primary SED data.....	50
4.4.6 Analysis of interview data.....	50
4.4.7 Validity and reliability of interviews	51
4.5 Quantity and quality of SED	52
4.5.1 AR	52
4.5.2 The quantity of SED.....	53
4.5.2.1 SED categories.....	53
4.5.2.2 Unit of analysis for SED quantity	55
4.5.3 The quality of SED.....	56
4.5.3.1 SED quality in AR	56
4.5.4 Analysis of SED quantity and quality.....	58
4.5.4.1 Content analysis	58
4.5.4.2 Analysis	59
4.5.4.3 Validity and reliability of content analysis	59
4.6 Differential reporting of SED between local and foreign oil companies	60
4.6.1 Comparative analysis of differential reporting	60
4.6.2 SEDI Index	61
4.6.3 Analysis	64
4.7 Archival research.....	65
4.7.1 Archival data analysis	66
4.8 Ethical considerations.....	66
4.9 Conclusion.....	67
Chapter 5 RESULTS: HOST COMMUNITIES' PERCEPTIONS OF OIL COMPANIES	69
5.1 Introduction	69
5.2 Previous literature.....	69
5.3 Results	71

5.3.1	Conducting the interviews.....	71
5.3.2	Data coding and analysis.....	71
5.3.3	Description of the sample.....	72
5.3.4	Identification of themes.....	73
5.3.4.1	Relationship between the oil companies and HCs.....	75
5.3.4.2	Participants characteristics on perceptions of negative news of the oil companies	81
5.3.4.3	Perceptions of negative aspects of the oil companies.....	81
5.3.4.4	Participants characteristics on perceptions of positive aspects of the oil companies	86
5.3.4.5	Perceptions of positive aspects of the oil companies.....	86
5.4	Discussion.....	88
5.5	Conclusion.....	92
Chapter 6 RESULTS: SED REPORTING QUANTITY AND QUALITY		95
6.1	Introduction	95
6.2	Sample profile	95
6.3	SED categories	98
6.4	Quantity	100
6.4.1	Number of sentences	101
6.4.2	Number of pages	103
6.4.3	Aggregated SED measures.....	104
6.4.4	Correlation results between SED quantity categories.....	105
6.4.5	Further Analysis	105
6.4.5.1	The reliability of measurement of SED quantity	105
6.4.5.2	Tests of Normality for SED quantity categories.....	106
6.4.5.3	Robustness Tests for SED quantity categories	107
6.4.5.4	Wilks' Lambda or U Statistic for SED quantity	108
6.4.5.5	Multiple Regression Analysis.....	108
6.5	Quality	110
6.5.1	Alternative measure of SED quality	112
6.5.2	Correlation results between SED quality categories.....	114
6.5.3	Further Analysis	114
6.5.3.1	The reliability of measurement of SED quality	114
6.5.3.2	Tests of Normality for SED quality categories.....	115
6.5.3.3	Robustness Tests for SED quality categories	117
6.5.3.4	Wilks' Lambda or U Statistic for SED quality	117
6.5.3.5	Relationship between total SED quality, company size, age and profitability.....	118

6.5.4	Sensitivity Analyses	119
6.6	Discussion.....	119
6.7	Conclusion.....	122
Chapter 7	RESULTS: DIFFERENTIAL REPORTING OF SED BETWEEN LOCAL AND FOREIGN OIL COMPANIES	123
7.1	Introduction	123
7.2	Distinction of sample profile between local and foreign companies .	123
7.3	Comparative analysis between local and foreign companies	124
7.3.1	Descriptive statistics of SED extent in local and foreign companies	125
7.3.2	SED type in local and foreign companies.....	126
7.3.3	SED nature in local and foreign companies.....	128
7.4	SEDI for local and foreign oil companies	130
7.4.1	Further Analysis	135
7.4.1.1	Student t-tests.....	135
7.4.1.2	Kruskal Wallis Tests.....	137
7.4.1.3	Mann Whitney-Wilcoxon Tests.....	138
7.4.1.4	ANOVA	139
7.4.1.5	Multiple Regression Analysis.....	140
7.4.2	Sensitivity Analyses	141
7.5	Discussion.....	141
7.6	Conclusion.....	144
Chapter 8	CONCLUSION	147
8.1	Introduction	147
8.2	Summary of findings	147
8.2.1	SED practice.....	147
8.2.1.1	HCs perceptions of SED practices of the oil companies	147
8.2.1.2	SED quantity and quality of the oil companies	149
8.2.1.3	Differences between local and foreign companies in regards to the disclosure of social and environmental data	150
8.2.2	SED Theories interpretation.....	151
8.3	Contributions to knowledge	151
8.3.1	Contribution to theory	151
8.3.2	Contribution to practice.....	152
8.4	Implications and Recommendations.....	153
8.4.1	Implications of research findings	154
8.4.2	Recommendations	155
8.5	Limitations of the study.....	156

8.6 Suggestions for future research	157
8.7 Conclusion	158
REFERENCES	159
APPENDICES	217
Appendix 1: Registered oil companies in Nigeria as at 1 st January, 1992	217
Appendix 2: Interview guide.....	221
Appendix 3: Participant Information Sheet	223
Appendix 4: Consent Form	226
Appendix 5: Nomination of proxy supervisor	227
Appendix 6: Acceptance of assistance with data collection	228
Appendix 7: Ethics conditional approval.....	229
Appendix 8: Statement outlining researcher’s safety	230
Appendix 9: Ethics approval.....	231
Appendix 10: Introductory letter.....	232

TABLE OF FIGURES

Figure 2.1 Types of SED.....	15
Figure 2.2 Country of Origin of SED Published Studies (O'Connor, 2006) ..	18
Figure 4.1 Map of Nigeria.....	45
Figure 4.2 Niger Delta cities	48
Figure 5.1 An illustration of the HCs perceptions of their relationship with the oil companies	74
Figure 6.1 SED categories	99
Figure 6.2 Five Normal Q-Q plots for SED quantity categories	107
Figure 6.3 Five Normal Q-Q plots for SED quality categories	116

LIST OF TABLES

Table 2.1 Summary of previous developed countries studies.....	20
Table 2.2 Summary of previous developing countries studies	23
Table 4.1 SED categories.....	53
Table 4.2 Examples for the quality rating score	58
Table 4.3 GRI-based SED scoring index	62
Table 4.4 Details of interviewees' category.....	67
Table 5.1 Matrix Coding Query of participant's characteristics on perceptions of negative aspects of the oil companies.....	80
Table 5.2 Matrix Coding Query of participant's characteristics on perceptions of positive aspects of the oil companies.....	85
Table 6.1 Summary of company profiles of the sample	96
Table 6.2 SED by sample companies.....	100
Table 6.3 Summary of SED disclosures in AR.....	100
Table 6.4 Descriptive statistics of the number of SED sentences.....	102
Table 6.5 Descriptive statistics of the number of SED pages	103
Table 6.6 Descriptive statistics for aggregated SED measures.....	104
Table 6.7 Correlation matrix between SED quantity categories.....	105
Table 6.8 Kolmogorov-Smirnov and Shapiro-Wilk test for SED quantity categories	106
Table 6.9 Multicollinearity Tests for SED quantity.....	108
Table 6.10 Wilks' Lambda Tests for SED quantity	108

Table 6.11 Regression output for total SED quantity, company size, age and profitability	109
Table 6.12 Descriptive statistics of the number of quality SED sentences..	111
Table 6.13 Alternative measure of the number of quality SED sentences ..	113
Table 6.14 Correlation matrix between SED quality categories.....	114
Table 6.15 Kolmogorov-Smirnov and Shapiro-Wilk test for SED quality categories	115
Table 6.16 Multicollinearity Tests for SED quality.....	117
Table 6.17 Wilks' Lambda Tests for SED quality.....	117
Table 6.18 Regression output for total SED quality, company size, age and profitability.....	118
Table 7.1 Foreign owned Nigeria oil companies	124
Table 7.2 Descriptive statistics of the extent of SED categories in local (L) and foreign (F) companies	125
Table 7.3 Comparison of the type of SED categories in local and foreign companies.....	127
Table 7.4 Descriptive statistics of the type of SED by local and foreign companies.....	128
Table 7.5 Comparison of the nature of SED categories in local and foreign companies.....	129
Table 7.6 Descriptive statistics of the nature of SED in local and foreign companies.....	130
Table 7.7 Distribution of SED indicators in local and foreign companies ..	131
Table 7.8 SED frequency scores in local and foreign companies.....	133
Table 7.9 Items of SED not disclosed by any company	133
Table 7.10 Student t-test results for extent of SED categories	135
Table 7.11 Student t-test results for type of SED in local and foreign companies.....	136
Table 7.12 Student t-test results for the nature of SED in local and foreign companies.....	136
Table 7.13 Kruskal Wallis tests	137
Table 7.14 Mann-Whitney U tests	138
Table 7.15 One-way ANOVA for extent, type, nature of SED in local and foreign companies	139

Table 7.16 Regression output for local and foreign companies SED, companysize, age and profitability	140
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LIST OF ABBREVIATIONS

ANAN	-	Association of National Accountants of Nigeria
AR	-	Annual Reports
CERES	-	Coalition for Environmentally Responsible Economies
CEO	-	Chief Executive Officer
CSR	-	Corporate Social Responsibility
EDI	-	Environmental Disclosure Index
EPI	-	Environmental Performance Indicators
GRI	-	Global Reporting Initiative
FRCN	-	Financial Reporting Council of Nigeria
HCs	-	Host Communities
HREC	-	Human Ethics Research Committee
ICAN	-	Institute of Chartered Accountants of Nigeria
ISEA	-	Institute of Social and Ethical Accountability
ILO	-	International Labour Organisation
ISO	-	International Organisation for Standardisation
MNCs	-	Multinational Corporations
NAOC	-	Nigerian Agip Oil Company Ltd
NNPC	-	Nigerian National Petroleum Corporation
NGOs	-	Non-governmental Organisations
PET	-	Political Economy Theory
SPDC	-	Shell Petroleum Development Company
SDI	-	Social Disclosure Index
SED	-	Social and Environmental Disclosures
SEDI	-	Social and Environmental Disclosure Index
SPI	-	Social Performance Indicators
R&D	-	Research & Development
UNEP	-	United Nations Environment Programme

