Corporate Social Responsibility of Shell

Corporate Social Responsibility Assignment
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Abstract

This research report explores on the corporate social responsibility (CSR) strategies applied by Shell and how the 5 CSR dimensions are regarded in Shell’s perspective. Furthermore, examined shall be how local communities wherein Shell operates are affected either negative or positively by Shell’s CSR conducts, thus examined in an objective manner. Elaborated shall be upon the fact that the essential stakeholder (local communities) had been neglected in the past by Shell, as for instance with reference to the Niger Delta issue.

In the initiatives section considered shall be how Royal Dutch Shell applies its CSR strategies for its priority stakeholder (recognised as local communities).

In addition, a brief discussion of how international guidelines and certifications are implementing by Shell in their reporting efforts. In the proposal section two general prepositions on how Shell could improve its credibility for its CSR efforts, is to firstly include stakeholders in the reporting process and a rather personal perspective of the author by admitting to their wrongdoings and humanizing the wrongdoing. Moreover, in this research analysis, a paradox between the CSR campaigns on local communities is studied since there exist a disparity between what Shell tries to evoke in their communication efforts referring to CSR and the noticeable evidence that demonstrates the contrary.
Royal Dutch Shell also known as Shell is an Anglo and Dutch multinational that is active in every sector that includes oil and gas industry, for instance production, distribution, refining, petrochemicals, trading, exploration and marketing of the oil and gas industry (Shell, n.d). Its headquarter is located in The Hague, The Netherlands, and is listed as the world’s biggest public companies on the 13th place on Forbes list global (Forbes, 2015).

Continuing to what exactly corporate social responsibility (CSR) entails, it can be defined as accommodating and improving a certain society or cause by a business organization by means of their business activities and endeavours (UK Essays, nd). CSR in itself is driven by privatization, globalization and deregulation since globalization in an environment that is presently predominant international, emanated these social and environmental issues in the first instance. According to the Pyramid of CSR (Carroll, 1991) CSR objectives are fulfilled simultaneously, and thus the economic, legal ethical and philanthropic responsibilities of a corporation. In simple words as elaborated by (Carroll, 1991) “strive to make a profit, obey the law, be ethical and be a good corporate citizen” for an illustration on the Pyramid of CSR please refer to the Reference Document provided.

According to Shell, they operates voluntarily on social and environmental performance since 1997, as mentioned on its sustainability video on their website, its CSR-scope concentrates on supplying standard for safety and the environment. Furthermore, according to Shell’s website and video CSR means according to them, sharing their benefits with people and contributing to sustainable development.
Furthermore, generally speaking CSR approaches consist of five dimensions known as the Dahlsrud dimensions (Dahlsrud, 2006):

- Environmental
- Social
- Economic
- Stakeholder
- Voluntaries

These strategies are commonly used to design a CSR strategy accordingly, please find illustration 1.2 for further reference in the Reference Document. Shell has carefully adopted these five dimensions in their CSR strategy. As argued by (Nasrullah & Rahim, 2014) The Voluntariness Dimension as given by The 5 dimensions of CSR can be attributed as the nature of CSR itself rather than a separate component therefore not considered within this research scope as a separate dimension. Ergo, The Stakeholder dimension is implicated within the comprehension of the CSR definition therefore excluded within this research paper.

After Shell had a negative external impact in 1995 after it was announced to sink the Brent Spar in the Atlantic Ocean a non governmental organization such as Greenpeace initiated a campaign against Shell’s conduct of their business behaviour. Greenpeace wanted to support local communities affected by Shell. Moreover, Shell’s morals on society and its stakeholders got tested in 2011 when it got itself involved in a corruption scandal in Nigeria (Ekine, nd) (The Corner House, 2014). One can question or not whether their CSR is truly focusing on the impact of their social and environmental performances? Or rather improving their appearance? Or is perhaps CSR in such industry in which Shell operates a paradox?
The Priority

This section shall elaborate briefly how the 5 dimensions of CSR (Dahlsrud, 2006) are described in Shell’s Sustainability report. Additionally, within the following section it will be elaborated briefly which stakeholders Shell has recognised in its CSR effort. Succeeding the brief introduction of Shell’s stakeholders, one priority stakeholder shall be chosen carefully according to the writer’s personal view considering factors such as relevance in the CSR of Shell and its present importance in society. Lastly, within this priority scope a possible overlooked stakeholder shall be considered.

First of all, Shell has various manners and areas on which its CSR-scope focuses on these are:

- Sustainability
- Safety
- Environment
- Shell Eco-Marathon
- Society

If defined as the 5 dimensions of CSR

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Defined by Shell</th>
</tr>
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<tbody>
<tr>
<td>The Environmental Dimension</td>
<td>Environment, Shell Eco-Marathon</td>
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<tr>
<td>The Social Dimension</td>
<td>Society, Safety</td>
</tr>
<tr>
<td>The Economic Dimension</td>
<td>Sustainability</td>
</tr>
<tr>
<td>The Stakeholder Dimension</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>The Voluntariness Dimension</td>
<td>Not Applicable</td>
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</tbody>
</table>

The meaning of the various manners and areas on which Shell focuses will be commented briefly herein subsequently and for further reading on the various areas Shell focuses on please refer to illustration 1.3 in the Reference Document.

Shell defines their sustainability approach with conducting a responsible, safe, profitable business and efficient

Safety is according to Shell itself their utmost priority. Meaning their objective is to not have any sort of incidents or put someone in/or a facility at risk.
Environmental efforts from Shell are considering new ways of conducting within the oil and gas industry. The eco-marathon from Shell aims to inspire aspiring engineers to design ground-breaking technology in fuel-efficiency, with annual events all over the world.

Shell implies sharing its benefits with societies this is done by coordinating investing programmes, aiding developing practical skills, generating local jobs and aiding communities in humanitarian manners. The aim of Shell’s society efforts is to establish a favourable trust relationship within the various communities it operates in.

These various manners on how CSR is enforced at Shell are components within Shell’s business activities that are designed to develop and improve societies imperfections and issues.

Although, in order to identify whether the CSR approach and actions have been successfully met one must firstly identify the stakeholder of Shell. In means of defining stakeholders those who can be affected by policies, conducts and objectives of a firm or in contrary those who can affect the policies, conducts and objectives of a firm. Thus, a stakeholder is considered as a person, an organization and/or a group who might have concern over the firm. Shell’s stakeholders can be identified as being part of their employees, customers, creditors, local communities, (host) government (agencies), unions, suppliers, non-governmental organisations and even its shareholders for instance. As exemplified is illustration 1.2 below.
Stakeholders 1.2

Noteworthy, is that each stakeholder holds its own importance within the CSR and its objectives. Nevertheless, considering the fact that Shell can be regarded as notorious for not fulfilling the interest of stakeholders such as local communities into consideration. Therefore, the stakeholder associated as local communities; wherein Shell operates has been identified as a considerable stakeholder within this research report.

In spite of the fact it was argued prior that Shell’s essential stakeholder is the local community it operates in. Shell conceivably overlooked in recent past this essential stakeholder as argued in (Parboteeah & Cullen, 2013). Referring to their essential stakeholders as the local (host) community as for instance in the Delta region in Nigeria, when Shell ignored their direct stakeholder what caused ethnic and political tensions, it caused ethnic groups (local community in question) to utilize their stakeholder coercive power over Shell (Parboteeah & Cullen, 2013).
The Initiatives

As mentioned previously, in the priority section Shell implies in its sustainability report and website that they are most willingly to share benefits with societies by creating programmes, by generating local job opportunities and by investing in humanitarian manners.

As CSR was gaining more popularity in the 90ties Shell decided in 2000 to put aside $250 million from its revenues and as part of their sustainability strategy to promote social and environmental impact in accordance to the rising globalisation and energy use, by founding The Shell Foundation. The foundation is said to operate independently from its corporate parent (Carus, 2013). Reported is that over the past 13 years the foundation has generated over 21,000 jobs and saved approximately over 3 million tonnes of carbon (Carus, 2013).

After the oil spills in the Niger Delta of 2008, causing severe damage to the local environment and therefore affecting the livelihood of over 15,000 people in the area majority of which are fishermen and farmers. Shell and some activist and locals reached to an agreement in May 2015 both parties agreed upon that Shell would start cleaning up the oil spillage in August and that the Niger Delta local community would receive an $83 million out-of-court settlement (domain-b, 2015).

Consecutively, one can note that it would be quite reasonable for Shell to implement several instruments within its CSR-scope. Numerous international guidelines and certifications aim to aspire corporations to take more responsibility in economic, social and environmental related causes and reporting it in a standardized manner. The four widely known guidelines in CSR are for instance (Gradert & Engel, 2015):

- ISO (International Organisation for Standardization) 26000 Guidance on Social Responsibility
- UN Guiding Principles on Business and Human rights
- UN Global Compact
- OEC Guidelines for Multinational Enterprises

As for all Shell’s major plants are certified externally for international environmental standards such as ISO 14001 (which concerns environmental management) rather than ISO 26000 (social responsibility guidance), which lacks within the CSR instruments. Since every
year a sustainability report is compiled on their CSR efforts, Shell mentions on its website that they started to utilize Global Reporting Initiative (GRI) in 1999, in order to increase transparency in their social, environmental and economical performances. Shell’s sustainability report is compiled in coherence to the GRI G3.1 guidelines. Both GRI and ISO are voluntary and internationally recognized framework which any corporation that is willingly to report on their CSR strategies in a standardized manner can exercise their framework. Moreover, in 1997 Shell entered in a partnership with United Nations’ Environment programme, it is a multi-stakeholder independent institution whose goals is to create augmented value guidelines. Similarly, Shell is a founding member of the United Nations Global Compact in which ten principles are mandated. A more environmental approach rather than of societal relevance for local communities, is that they works closely with other environmental organizations such as Wetlands International, Earthwatch and The Nature Conservancy which have slight impact on local communities which is slightly linked to the relevance on local communities this research analysis. Additionally, mentioned on Shell’s website is that they operate according to Shell General Business Principles (SGBP) which is in accordance with their Code of Conduct.

As was noted earlier in this research analysis, local communities as for instance when the homelands of the Ogoni in the Niger Delta were overlooked in its completeness as Shell’s stakeholders (Donovan, 2010). There exist a disparity between what Shell tries to evoke in their CSR strategy and the substantial evidence of incidents that prove the opposite, for a visual representation of such evidence it is advised is to consider (Shell Oil- The Awful Truth, 2010). As insinuated in the preface, there exist a paradox in Shell’s CSR programme since it was only adopted when there was a severe rise of discontent in Shell’s practices. Essentially, the paradigm is supported by the fact that Shell’s interests lie quite different than the Ogoni population and other Delta populations (Tehi, 2013). Additionally, noticeable is that Shell contributed to aggravate ethnic tensions and violence in the Delta region rather than preventing it and aid sustainable development as disputed for instance by The Movement for the Survival of the Ogoni People (MOSOP) a social movement organisation (Donovan, 2010).

Could Shell perhaps alter its credibility and the current perception of their stakeholders for the better?
The Proposal

The aim on this section is to discuss possible improvements on Shell’s CSR-methodology. One fact is obvious is that globalisation has forced numerous of big organisations to operate in a more transparent and ethical manner. The matter of the fact is that in the world we are living in presently, inspires companies to take upon responsibilities voluntarily that are socially, environmentally, sustainable and economically in the long term (Lekushoff, 2015).

In order for Shell to improve its CSR initiatives, first has to adjust the current perception of their essential stakeholder, such as from the local community, that the CSR initiatives are just there to soothe the public eye rather than authentic intention (Schow, 2015). As to how Shell might improve their trustworthiness to their stakeholders, is by including the stakeholders in the reporting process, thus rather than having an external company report on the CSR efforts include the stakeholders in question. One can note that the trust in large enterprises have plummeted over the past few years, therefore having a stakeholder report on the company’s CSR strategies would augment more value to the company’s report and be more credible to other stakeholders.

Lastly, a rather more personal opinion on how Shell could improve its overall CSR strategy and the stakeholder’s perception is for Shell to acknowledge their malpractices and compensate voluntarily the ones affected. Firstly, by admitting to wrongdoings as large corporation as Shell, it humanizes the corporation and creates empathy (Grankvist, 2012). This could have been the manner on how Shell could have handled the Niger Delta situation, thus voluntary compensate for the caused harms and wrongdoings rather than being pressured externally by stakeholders claiming for justice.

All in all considered, Shell’s CSR approach towards it stakeholder, as the local community resembles to be merely following a trend, due to external pressures of being a more transparent company that conducts itself in a ethical manner. Or are Shell’s CSR efforts just a consequence of the growing discontent by stakeholders and thus a paradox in itself? Whether it is truly a genuine intention of implementing CSR strategies for the better of local community is a backbreaking question.
Reference list


Carus, F. (2013, March 25th). Can a foundation owned by a company such as Shell be truly independent? The Guardian.


