

Community contractors (e.g. pipeline surveillance) are not held to the same accountability standards as other contractors. Contracts are still seen as “gifts” to the community rather than as actual contracts. For example, there are few monthly reports coming from such contractors, and even if contractors have failed to do their work (failing to report illegal oil bunkering, for example) SCIN is reluctant to take them to court.

When no consequence management occurs for community contractors out of fear of the possible implications for security it sends a message of impunity. This message may increase the risks of sabotage rather than decreasing it through surveillance.

The lack of transparency of contract details for the construction of CD projects allows for deals between SCIN staff and community representatives (chief, CDC chairman, PMC chairman). Speculation about inflated contract prices causes conflict within communities, as they feel “robbed”.

However, it is important to note that some SCIN Project Teams have integrated a local content plan into their project design. This practice has transformed local contracting from a reactive risk mitigation strategy to a pro-active approach, building on existing capacities and opportunities within the community. Projects where such an approach has been implemented have shown dramatically reduced work stoppages due to community interference and sustained higher contracting opportunities for community staff after the project was finalised (Umuebu). The current local content plan of the Gbaran/Ubie project is a promising example.

Transparency

There is a widespread corporate assumption that any information can be used by communities against the company, partly due to the “risk” of making promises to communities that the company will be unable to fulfil. This lack of transparency can lead to rumours and interpretations that the company “has reasons to hide the truth”.

Currently, there is little transparency about: (a) who receives benefits/compensation; (b) the amount of benefits/compensation given; (c) when benefit distribution will take place; (d) the type of benefits (e.g. type of CD project, benefits in cash or in CD projects) provided; and (e) what criteria were used to decide on benefits.

Communities are often not informed nor involved in future plans or decisions that impact their lives. For example, the company does not provide a long-term plan for community development. Nor does the company provide substantial information about the scope, impact and duration of major projects. Some communities (Soku, for example) are not aware that major projects (with major impacts) will commence in their area in only two months time. Such a short-term approach combined with the absence of a long-term perspective of corporate benefits for the community leads communities to focus on short-term gains.

The relevance of using the company headquarters or the offices of the Council of Chiefs as a venue of community interaction has been mentioned earlier in this report. Dissemination by community leaders to their constituencies of the content of their discussion with SCIN is generally poor and contributes to the lack of perceived transparency among communities.

As there is no mechanism available to communities to obtain accurate information the company leaves itself vulnerable to misinformation and rumours that feed grievances. Furthermore, the lack of transparency leads to suspicions within communities about who gains at the cost of others. It also feeds into allegations that corrupt SCIN staff makes arrangements with individual community members or use benefits that should accrue to the community for their own benefit.

2.3.3 SHORT-TERM PRODUCTION TARGETS SUPERSEDE LONG-TERM PERSPECTIVES

SCIN staff actions appear to be driven by a focus on achieving quarterly production targets or short-term project objectives. The company's scorecard system reinforces this. An approach focused on reaching short-term objectives and production targets triggers a series of practices that undermine positive and sustainable relationships with local communities. The company behaves towards communities as if it is leaving the Niger Delta within months (no commitment to ensure higher local content in the years to come, no commitment to CD activities beyond one year, etc.). Very few SCIN staff members are able to articulate a vision of where the company wants to be in ten years and what systems need to be put in place to achieve this objective.

Community demands are often assessed using a short-term cost-benefit analysis where production targets are the sole variable. Assessment criteria do not include relational, reputation, long-term consequences, or other cost-benefit variables. For example, when communities closed down a flow station and demanded that a hospital be built, a cost-benefit analysis based on lost production vs. hospital construction costs made the company construct the hospital swiftly.

In practice, reaching short-term objectives means dealing with those groups that can provide the quickest "solution". Rather than managing conflict via a cumbersome Traditional Council, SCIN has tended to respond to the most violent or vocal groups in order to keep them quiet. This approach has legitimised violence and (further) undermined traditional leadership.

A short-term approach means that problems are postponed rather than addressed. For example, promises are made or CD initiatives allocated to "buy peace" until major projects are completed. This transforms the vision behind community development from an empowerment model based on shared interests to a negotiation model based on might. Communities feel they need to get what they can in the short-term because they have little idea what future benefits look like. Thus, they ask, for or are directed by staff to ask for, projects that can be implemented within the project time frame, rather than what they really want or need.

However, communities are often aware of the need for the company to reach short-term production targets and effectively use delaying techniques (“time is on our side, not on theirs”) to increase community benefits. The “Kpepe strategy” is based on the assumption that, “If you shake them enough, you will get anything out of them” (Kpeke is the Ijaw word for “shaking”). The sharp rise in the CD budget from 1990 onwards shows this strategy has been successful. Some communities approach SCIN managers these days with the calculation how much the SCIN is losing per day if they were to close down a flow station.

The current scorecard system for CD is only based on the implementation of a certain number of projects. It does not include consideration of whether these projects were successfully implemented and whether implementation improved the communities’ perception of SCIN. Furthermore, short-term budgets make it difficult for CD staff to provide a long-term perspective to communities. This leads to a “patchwork project” approach, rather than to real community development.

The vicious cycle of the community focus in short term objectives

2.3.4 POOR POLICY ENFORCEMENT

There are three areas of policy enforcement practices that relate to conflict: (a) internal consequence management; (b) external consequence management; and (c) policy compliance.

Internal consequence management

There is a perception among SCIN staff that the company is lenient toward colleagues involved in unethical practices, the violation of business principles or not following through on commitments. Concomitantly, there is a tendency within SCIN to accommodate rather than to tackle problems. For example, NGOs representing local communities complain that SCIN’s approach is to compensate for grievances (through CD projects for example) rather than addressing the underlying causes of such grievances.

External consequence management

Few communities are held accountable for their negative behaviour. People in the company question the ability and willingness of the organisation to deal with threats from outside groups against staff if criminals are prosecuted. As a result, even when criminals are caught, few people are prepared to stand as witnesses in court. There is frustration with what is seen as SCIN’s capitulation to lawlessness.

Policy compliance

There is a “flexible” interpretation of SCIN policies, a low level of standardisation and continued unethical practices.

Poor consequence management undermines policy compliance. Audit experts report that in cases where they had clear evidence of violation of business principles, the superiors of guilty staff failed to take action. This sends a message of impunity to the rest of the organisation.

2.3.5 LACK OF STANDARDIZATION

Community respondents continuously point to the lack of standardisation in SCIN as a point of confusion. There is not a single coordinated community approach. Different villages or individuals receive different treatment. For example:

- * powerful villages are able to extract large amounts of money (e.g. through a Trust Fund for the Council of Chiefs on Bonny island) over and above the CD budget;
- * some villages have MoUs while others do not. Often only “difficult” communities can force the company to sign an MoU;
- * at the same time, the content of the MoUs varies widely. Furthermore, in some cases MoUs exist with villages, in other cases with clans;
- * some communities have been exposed to a thorough CD planning process; others have a rapid assessment of needs and interaction with them takes place on a CA basis; and
- * as CD budgets are tied to production, “newer” production with communities see their CD budget rise whereas “older” areas with decreasing volumes receive fewer benefits.

Communities tend to watch each other closely. Conflicts frequently arise over perceived favouritism. For example, there is the perception among non-Ijaw villages that Ijaw villages receive more benefits because they are more militant.

In addition to different standards for different groups or individuals, there are also different standards applied to the same community:

- * the lack of guidelines for contractors in dealing with communities leads to different cultural approaches;
- * different Project and Areas Teams pay different amounts of homage to the same authorities;
- * during the construction of major projects communities deal with three different CLOs (area, project and contractor). Each has a different approach, budget and objective; and
- * as outlined in the table below, Area and Project Teams use substantially different community engagement approaches.

Area Team Approach

Project Team Approach

- * Limited CD budget (“there is more money when the rig comes”)
- * Focus on a larger group of spearhead communities
- * Planned CD approach
- * MoU only when needed
- * No reward for success of the Project means no stake in the Project
- * Large CD budget (confronted with existing community expectations)
- * Focus on a concentrated group of communities
- * Ad-hoc CD approach
- * MoU as “must”
- * Communities know that Project is under time pressure and is well funded

Despite an impressive number of guidelines and policies aimed at standardising approaches, the implementation of these varies considerably. When under pressure to achieve short-term targets, staff may compromise on upholding standards. This impacts conflict in the following manners:

- * Differences in treatment for different people transform objective fairness into a perception of relative unfairness. It leads to a feeling that the company is not caring toward communities and directly affects the social LTO.

- * Precedents are regularly set in terms of cash payments and commitments made to communities. Communities look at the benefits of others and play different Asset Managers off against each other.

2.3.6 LOW LEVELS OF LOYALTY AND INTEGRITY

Overall loyalty of staff to the organisation is low. This is particularly the case among those with short-term service contracts (Manpower Service) and others that are on “non-pensionable” contracts. But even many SCIN staff members in middle management positions acknowledge they feel little loyalty to the organisation and are just there to “do the job and cash my pension”.

There is a direct link between being considered as fulfilling a “core-activity” and the type of employment contract, and between the type of contract and staff loyalty. If management would consider certain departments or key positions dealing with company-community issues as a “core-activity,” it would affect the loyalty to the organisation of people that make decisions on behalf of SCIN that have long-term relational implications.

There are widespread concerns both within the company, as well as among community respondents of integrity problems among SCIN staff. The areas where community representatives say loyalty and integrity impact on conflict include:

- * CD staff determines which contractor a community needs to hire for a project and for what kind of budget. When the community disagrees or even proposes to seek a more cost-efficient solution, the CDO may refuse and the project stops.

* The level of the compensation for oil spills can be agreed under the condition that the SCIN staff takes a share of the compensation.

* Elders can send their youth to create trouble in order to get some kind of “compensation”. CR staff are said to make arrangements with the elders about compensation, taking a ‘cut’ themselves.

* CD Engineers determine both the bill-of-quantity and approve progress reports on the implementation of CD projects. They can provide “advice” to PMC members on how to increase the budget over and above the standard budget for a CD Project. If, due to increased market prices, the real price of the project goes up and the engineer does not get his share, he will not approve the next project milestone.

* Land acquisition money is paid at the Port Harcourt office to people that do not own the land, leading to court cases against the SCIN and conflict between the legitimate owners and the proxy owners.

There are also claims that some SCIN staff directly benefit from creating disputes. For example, in the case of disputed land ownership, no compensation is paid. SCIN staff brings in outsiders that claim ownership to create a dispute. Since the real owner also has an incentive to get compensated, he may sign an agreement with the fake owner. SCIN staff receives part of the compensation from the hoax owner.

Low loyalty of SCIN staff means that negative perceptions about the company are not challenged. When staff blame SCIN, the CLO, the Yoruba boss or others instead of defending actions of the company, this signals that they dissociate themselves from the (vision and mission of) the company. CLOs point out that retired SCIN staff often cause the greatest grief for the company. At the same time, there is sympathy within the organisation for the “cause” of the Niger Delta people against the company, although many disagree with the violent manner in which grievances are expressed. Cumulatively such practices send a message to communities that the company is rich, exploitative and faceless bureaucracy “stealing oil” from communities and that it is a legitimate target for demands.

2.3.7 COMMUNITY ENGAGEMENT

Community representatives frequently state that, “Shell ignores our demands”. Discussion reveals that there is a widespread feeling in the communities that the company is not “caring” and cannot be trusted. Although some SCIN staff find caring and trust to be “fuzzy” notions, communities themselves define these as, “knowing that agreements will be honoured”. This definition demystifies the notions of trust and caring and becomes a more objective notion to work with.

Community respondents mention the following examples of behaviour that affect community perceptions of the company:

- * access to, or interaction with, SCIN staff (“We never see a CLO or only when there is a problem”);
- * high expectations with regard to employment don’t materialise;
- * the degree in which community projects are finished, appropriate and sustainable;
- * staff integrity. The community has no mechanism or procedure to hold company staff accountable for unethical actions;
- * interference with intra-community relations to achieve company objectives (“divide-and-rule”);
- * the use of a security cover;
- * the degree to which SCIN accepts, or not, court decisions that rule against the company;
- * responses (or lack of responses) to letters sent from the community to the company; and
- * communication about companies’ intentions or plans and how these affect communities.

Knowing that a company follows up on what it commits to is the cornerstone of good company-community relationships. While SCIN staff is aware of this, seven practices explain why the company still cannot fulfil promises:

- * Managers newly arriving on a project may reset priorities after commitments to the community have already been made and described in a MoU.
- * Some managers keep postponing the implementation of projects till the following quarter in order to reduce operational costs.
- * CLOs lack the tools or ability to articulate why the company is not able to cater to some of community demands. They may either make promises or refer back to their manager. Meanwhile the community understands that things have been promised; “there are a dozen words for the community that mean yes”.
- * The implementation of promised CD projects exceeds the duration of SCIN construction activities. When the SCIN project is closed, the budget closes and CD projects remain half-finalised.
- * Community development budgets are cut during the year while a community still expects commitments made to be honoured. Some area teams spend 50 percent of their CD budget carrying over projects from previous years. Meanwhile, the community sees that budget cuts do not affect Capex operations.
- * Budget allocation follows, not informs, discussions with communities over CD Projects. As a result, communities find that there is no budget for the plans they and the company have discussed.
- * Bureaucratic obstacles delay payments or allocation of resources.

Individual characteristics of SCIN staff appear to be important for constructive relationship-building between the company and communities. In cases where communities feel cared for, often SCIN staff has gone just a bit further than expected in showing respect and concern for local communities. Communities explain that staff acts not as a “master” but as “a good neighbour”. Elements of neighbourly relationships include:

- * a relationship based on seeking win-win solutions for both the company and the community;
- * pro-actively spending time in the community to understand local dynamics;
- * staff is accessible for communities;
- * responding and following through on community requests; and
- * explaining in a transparent manner if and why not all requests can be honoured and helping the community seek creative approaches to address their issues.

2.4. CORPORATE CULTURE

In any organisation, corporate values and norms determine company policies and practices. Hence, corporate culture can be both one of the root causes of poor practices that unintentionally feed into conflict or serve as a powerful engine to create opportunities for success.

SCIN corporate culture is assessed in terms of assumptions and how the organisation classifies community affairs. Making prevalent and implicit assumptions explicit provides insights into the drivers of certain policies and practices.

2.4.1. CORPORATE ASSUMPTIONS

There are three important assumptions prevalent among SCIN staff that guides their actions and decisions:

1. “Violence relates to external factors only”;
2. “Communities want money, social services and “things” that can never be satisfied”;
- and
3. “Communities don’t know what is best for them”.

Each of these assumptions guides behaviour and impacts on conflict dynamics.

“Violence relates to external factors only”

The prevailing SCIN assumption is that addressing conflict is outside their control and relates to external factors only. On the other hand, many staff members are aware that the company plays a role in Niger Delta conflicts.

However, a formal recognition of the relation between some corporate practices and conflict entails the risk that managers will be held accountable if conflict lowers

production rates. One manager stated, “So far we have been able to explain why we should not be penalised”. This logic feeds into an “it’s-not-our-fault” mentality that becomes an obstacle to conflict resolution.

Furthermore, contractors copy company behaviour and also de-link community violence from performance. Instigating violence in the community so that claims based on ‘force majeure’ can be made towards the SCIN has become a business in itself among some contractors (Soku gasplant, Obibo Note AGG project).

“Communities want money, social services and ‘things’ that can never be satisfied”

Throughout the organisation there is a sense of powerlessness with regard to how much the company can do to satisfy community demands. People feel that no matter how much SCIN tries to satisfy communities, they will always come back for more. This assumption makes company staff avoid community interaction (believing it will only lead to demands) and to limit and control information about company plans. These actions reinforce the communities’ perception that they must demand more to get anything.

“Communities don’t know what is best for them”

SCIN puts little emphasis on capacity-building largely because managers prefer short-term tangible outcomes. As mentioned earlier, the scorecard for some CD departments is only focused on implementing a certain number of projects rather than assessing their relevance, appropriateness or sustainability. In their effort to help communities finalise projects, CDOs get involved in the implementation of projects, effectively disempowering the community.

The consequences of such an assumption include: (a) limited ownership in communities of infrastructural projects; (b) communities feel that projects are imposed on them; (c) communities feel that they are not allowed to make their own decisions; and (d) the company is seen as arrogant by telling communities what they need.

Assumption

Reason

SCIN behaviour

Consequences

“The conflict is due to external factors”

Partly true, partly not

Acknowledgement implies responsibility

Focus on external factors (e.g. spills caused by sabotage)

“It-is-not-our-fault” mentality

Communities feel they have to fight to prove the company is wrong

Contractors follow same SCIN logic; force majeure claims
“Communities only want money and other ‘things’”
Easy to deliver

First reaction of some youth
Short-term hand-outs

No capacity building

Focus on ‘wants’, not on ‘needs’
Inter-group conflict

No sustainable LTO

Undermined traditional leadership

Dependency syndrome
“Communities don’t know what is best for them”
Low institutional capacity

Desire to show tangible results
Focus on infrastructure

No capacity building
Low local ownership of good SCIN efforts

Communities feel that projects are imposed on them

2.4.2 STATUS OF COMMUNITY AFFAIRS AND CLOS

Community affairs are not classified as a core activity to the organisation, affecting the type of contracts that staff members receive, and as discussed before, results in poor staff loyalty and motivation.

The position of the CLOs is generally seen as a non-essential job and even diminished. This undermines their ability to perform as the front-line people dealing with corporate-community conflict. Some important repercussions of this ‘low’ status include:

* CLOs are not trained adequately to fulfil their front-line job. The CLO position is seen by operations managers as a “dumping ground” for “non-functional” or “redundant” staff. Hence, CLOs are expected to solve conflict issues without having the appropriate background to be successful.

* A majority of CLOs do not have a pensionable contract with SCIN because the position is not considered a “core staff” position.

* As the main interface of the company with local stakeholders, CLOs are frequently logistically unable to visit and work with communities:

* Logistics are tied to production. This means that boats and cars are only available to the CLO when there is a problem. This feeds a reactive approach to problems;

* CLOs experience a lack of internal logistical support (e.g. ensuring that bureaucratic procedures are followed, bills are paid, etc.).

Technical staff can be responsible for negatively impacting relations with communities, but are rarely held accountable for their actions. As the Community Affairs Department is seen as responsible for community relations, there is limited ownership elsewhere of relationships with communities.

Most senior managers acknowledge that SCIN does not recognise CR as a critical success factor to its operations. Because the relationship between the organisation and the communities is conditioned by problems, there is limited space for CLOs to establish a relationship on any other basis than demands, compensation, and conflict. To a large extent this is due to the fact that the Community Affairs Department is not involved in the planning phase of the project. Many problems that can be anticipated are only responded to, which means that operations are in constant crisis mode.

2.5. STRATEGIC IMPLICATIONS

It is clear that SCIN is part and parcel of Niger Delta conflict dynamics and that its social license to operate is fast eroding. Whereas some groups argue that the compact consciously fuels conflict as part of a “corporate conspiracy”, the SCIN-conflict links result rather from a quick-fix, reactive and divisive approach to community engagement expressed through different areas of policy, practice and corporate culture. From the above sections, a number of strategic implications for the PaSS can be drawn:

* The company itself is part of the conflict dynamics and thus has multiple options to positively influence these. Addressing conflict is not only dependent on outside actors but to a significant extent within the control of the company.

* Corporate practices (more than policies) can lead to conflict. This signals that the company does not have to change the fundamentals of it of its operations (although some policies need review) but ensure that the policies and the ideas behind the policies are adhered to.

* There is not a single policy, practice or element of corporate culture that, if addressed, will alone decrease company–community and communal conflict. Rather, it is the accumulation of many (seemingly small or isolated) practices that feed into conflict. A strategy to improve corporate–community relations must address these. This means that there are numerous opportunities to make a positive difference.