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UNETHICAL ISSUE OF CORPORATE SOCIAL IRRESPONSIBILITY OF ENERGY COMPANIES IN EMERGING MARKETS

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Abstract. There are media hype and allegations on the unethical conduct of energy companies flagging CRS in emerging markets. The purpose of this study is to affirm or refute the allegations of the unethical issue of CSR among energy companies in emerging markets. The exploratory nature of the study makes a qualitative research method (an interpretivist research paradigm) preferable. Specifically, pieces of information were sourced from scholarly articles, energy reports, and web resources on the CSR of energy companies in five emerging markets. At the end of the rigorous critical review of the literature (CLR), it was found that energy companies in the seven emerging markets have CSR policies, programs and projects designed to support host communities. Second, these energy companies heavily contribute to environmental degradation and pollution in their countries through gas glaring and other carbon emission footprints. Third, the energy companies flagged CSI as CSR to cover their unethical conduct, negative environmental impacts and carbon omission footprints. In practical terms, the insight on CSI is consistent with previous empirical studies that stated that energy companies flagged social actions to cover environmental pollution and carbon omission footprints in emerging markets.

Key words: CSR, Unethical Issue, Corporate Social Irresponsibility (CSI) of energy companies, emerging markets

1. Introduction

Globally, the concept of corporate social responsibility (CSR) is a nuance that refers to giving voluntary support to society. It extends to companies showing concerns about the economic, social and environmental wellness of people and society. In developed and emerging markets, companies have embedded the philosophy of doing good and doing well in their business ethics for different motives (Matei, 2013; Khan et al., 2021; Felix et al., 2022). Scherer and Palazzo (2008) contextualized CSR as a practice where corporations and civil society groups take on certain roles assigned to the elected government. However, the extant literature has established that CSR policies, theories and practices differ across countries, cultures and civilizations. There are three key motives for selecting energy companies for CSR discourse (1) energy is an intensely debated topic in academic and policy circles, (2) energy companies generate many negative externalities, especially on the environment (3) oil and gas companies are important CSR actors in emerging economies. Findings from 53 countries indicated that oil and gas firms are not more likely to engage in unethical practices than other firms (Gupta, 2017). Furthermore, scholars agreed that the principles of efficient energy could be good proxies to be used as a CSR tool, which is a potent process for achieving the sustainable development goals (SDGs) agenda.

However, what are some of the factors motivating responsibility in the energy sector? Agudelo et al. (2020) divide these drivers into internal drivers and external drivers. As internal drivers, we can list the corporate culture, business strategy, cost savings and profitability, risk prevention and management, climate change adaptation and mitigation, environmental commitments. Other authors, such as Martínez et al. (2016) and Zhang et al. (2019), defined these factors as corporate sustainability at the micro level. Overall, we confirm that these drivers are in line with the three pillars of sustainable development (economic-environmental-social). Regarding the external drivers, Agudelo et al. (2020) listed competitiveness, social commitments and engagements, legislative and regulatory frameworks, engagement and satisfaction of stockholders. Otherwise, these drivers and factors are related to sustainable development at the macro level. Along with the internal and external drivers, the study highlights the importance of connecting drivers that are fundamental for a better motivation for responsibility in the energy sector. These connecting drivers are reporting and disclosure of non financial performance, branding and reputation, social licence to operate. Behaving ethically through CSR initiatives, programs and projects can be promoted through collaboration among multiple stakeholders, such as governmental bodies, financial institutions, academia, businesses, consumers and civil society, and this collaboration can foster innovation and strengthen concerns for environmental performance of economic agents, which can support progression toward achieving sustainable development goals (Pesmatzoglou et aol., 2014).

Beyond rhetoric and media hype, there are serious ethical issues behind the CSR programs and projects of energy companies in emerging markets. The widely reported ethical issues in the media include misleading claims, hypocritical CSR, conflicts of interest in corporate donations, political contribution, corruption, bribes and fraud (CBF), conflicts of loyalty, and issues of dishonest disclosure and reporting of social responsibility actions. The above allegations require affirmation or refutation through qualitative or quantitative research. We focused the former! To affirm or refute the foregoing, this paper discusses the unethical issues of corporate social irresponsibility (CSI) energy companies in emerging markets.

2. Methods and approach

Considering the exploratory nature of the issue to be discussed, the qualitative research method, an interpretivist research paradigm, was found to be appropriate and used. Specifically, the required numeric and nonnumeric data were sourced from scholarly articles, World Development Indicators, energy texts, energy reports, and web resources on CSR policies, programs and projects of energy companies in five emerging markets (China, Kuwait, Iran, Nigeria, Russia, Saudi Arabia, Turkey, and the United Arab Emirates). The sourced data were systematically analysed using a critical review of the literature (CLR). In particular, we reviewed, integrated, and synthesised the insights on unethical issues of CSI from scholarly articles and texts on medical entrepreneurship.

3.Literature review

The concept of CSR encapsulates a wide range of issues and dimensions. In this study, CSR refers to the voluntary obligation of giving back to society by companies as corporate citizens; it extends to obeying the law and conducting business operations in a manner that is socially, economically and environmentally responsive to the wellness of the people, planet and profits CSR is an ethical conduct when done sincerely (Berger-Walliser & Scott, 2018; Raimi & Isiaka, 2020). Genuine CSR is an ethical conduct because it entails adopting humane employee practices, caring for the environment, and engaging in philanthropic initiatives while conducting lawful business activities in host communities and countries (He & Harris, 2020). In contrast, scholars have coined an opposite concept called corporate social irresponsibility (CSI), which connotes an unethical company practice of engaging in CSR initiatives as a proactive way to camouflage irresponsible behaviour, deceive the public, offset corporate excesses, cover fraud, or compensate for prior or future social irresponsible actions (Armstrong, 1977; Alexander. (2015; Riera & Iborra, 2017).

By consensus, scholars agreed that CSI is an unethical conduct because it is a deliberate and intentional action of maximizing personal gain without regard to the losses or damages caused to their stakeholders (Pearce & Manz (2011) as well as adopting undesirable practices such as oil spills to misrepresent the environmental benefits of products to unsafe working conditions, labour exploitation, bribery accounting scandals, unethical sales practices (Alexander. (2015). Comparatively, CSR practices are more common and well-embraced by companies in Western countries than emerging markets, but the practices are becoming increasingly popular in the latter. With regard to trends in CSR activities, several studies have reported that social responsibility actions are pervasive and popular. In fact, CSR is a fashionable concept of the moment (Aras & Crowther, 2016). In the energy and mining sector, Abuya, (2016) consider that CSR is being strategically used as a vehicle for pacifying local communities and minimizing the impact of abuses (unfair compensation, conflict over human rights, inequitable resource distribution, environmental degradation, mine-induced poverty).

4. Results/Findings

At the end of the rigorous CLR, four insights emerged. First, energy companies in emerging markets have CSR policies, programs and projects designed to support communities and bridge development deficits. Second, these energy companies combined CSR and CSI in their relation with the host countries. Ethical issues reported in scholarly articles misleading claims on sustainability, hypocritical CSR, illegal mining and oil exploitation, conflicts of interest in corporate donations, political contribution, corruption, bribery and fraud, greenwashing, conflicts of loyalty, dishonest disclosure and reporting of social responsibility actions. They heavily contribute to environmental degradation and pollution in their countries through gas glaring and other carbon emission footprints. Third, policymakers in these countries have not imposed sanctions because the oil and gas industry is the highest source of national income. Fourth, private sector-owned, multinational-owned and government-owned energy companies in emerging markets flagged CSR projects and programs to cover their negative environmental impacts and carbon omission footprints.

Specifically, the insights from the reviewed literature suggest that the seven emerging markets (except the UAE) that are the focus of our study manifested the unethical issue of CSI. In China, the common unethical issues that energy companies manifest despite their CSR activities are environmental pollution, use of slave labour, underaged workers, and cheated labourers in coal mines and iron mines (Tang & Li, 2009). In Kuwait, unethical contracts, bribery and the exploitation of migrant workers in the energy sector were reported (Ali, 2016). In Saudi Arabia, the common ethical issues in the energy sector are unethical behavior, stakeholder dissatisfaction, quality defects, poor health, safety and environmental standards (Gomarn & Pongpeng 2022). In Iran, poor health and safety compliance, high occupational incidents, violation of ethical rules, bribery and corruption, weak board oversight and other irregularities are recurring ethical issues (Vaaland & Heide, 2008; Gharibi et al, 2020). In Nigeria, environmental degradation, gas flaring, bribery, political contribution, water and oil pollution, biota toxicity, loss of biodiversity, gross abuse of human rights (Eweje, G. 2006; Idemudia & Ite, 2006; Kalu & Ott, 2019).

5. Conclusion and implications

The paper set out to affirm or refute the allegations of the unethical issue of CSR among energy companies in emerging markets. After a critical review of the extant literature on the activities of energy companies in seven countries, the paper found that energy companies in emerging markets combined CSR and CSI, leading to the manifestation of unethical conduct. Two policy implications clearly manifest. First, policymakers in emerging markets need to checkmate unethical practices of energy companies through sanctions and the enforcement of transparent social reporting and disclosures. Second, policymakers in emerging markets need to lobby energy companies to embrace genuine CSR interventions for poverty alleviation and employment creation through entrepreneurship development in their operating environment for mutual benefits. Third, policymakers should be to weary of the phenomenon of hypocritical CSR or CSI. In practical terms, the insight on CSI is consistent with previous empirical studies that stated that energy companies flagged social actions to cover their environmental pollution and carbon omission footprints in emerging markets. We contribute to the three themes of sustainable development by affirming that economic benefits arising from energy exploitation in emerging markets come at huge social and environmental costs that evidently pose existential threats to people, profits and the planet.

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