ENVIRONMENTAL RESPONSIBILITY AND PERFORMANCE OF MULTINATIONAL OIL AND GAS FIRMS IN RIVERS STATE

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ABSTRACT

This study investigated the relationship between environmental responsibility and the performance of multinational oil and gas firms in Rivers State. The objectives of the study addressed the extent to which practices of environmental responsibility influences the outcomes of organisational performance comprising innovation, organisational learning and market share. The methodology for the study was the quantitative method. The population for the study was seven (7) multinational oil and gas companies in Rivers State, hence, given the small population, the study was conducted as a census. The study was designed as a correlational study with the structured questionnaire used in the collection of data for the research. The Pearson's Product Moment Correlation Coefficient (PPMCC) was adopted as the statistical tool for assessing the significance of the relationship between the variables. The result from the test showed that environmental responsibility significantly and positively impacts on the performance of the multinational oil and gas firms in Rivers State, that way, contributing toward outcomes of innovation, organisational learning and market share. Following the outcome of the study, it was concluded that environmental responsibility is imperative in addressing the performance concerns of multinational oil and gas companies in Rivers State. It was therefore recommended that policies should be developed and implemented by the management of multinational oil and gas companies that focus on monitoring and coordinating the organisations activities and operations in ways that enhance and reinforce its environmental values and responsibility toward its stakeholders.

Keywords: Environmental responsibility, Organisational performance, innovation, organisational learning, market share

INTRODUCTION

An organization's performance depends on many factors, such as the efficiency of business processes, employee productivity, how effectively organizations meet their objectives, the alignment among business functions, as well as those functions "alignment with the organization's strategy, and organizational culture and climate (Schwalbach, 2011). All of these contribute to how efficiently an organization operates and how well it performs in the marketplace. Therefore, the organization's performance is a function of the potential return to the inculcation of strong culture into the organization's systems enabling it to execute its routines (Kurtz & Rhoades, 2012).

According to Namada (2017), organizational performance is the organization's ability to attain its goals by using resources in an efficient and effective manner. Quite similar to Namada (2017), Wael (2017) defined organizational performance as the ability of the organization to achieve its goals and objectives. According to Utterback (2014) organizational performance is the degree of attainment of work mission as measured in terms of work outcome, intangible assets, customer link, and quality services. Matthew (2011) defined organizational performance as the organization's capacity to accomplish its goals effectively and efficiently using available human and physical resources.

Environmental responsibility is viewed as an organization's commitment to make the most of its positive impact on stakeholders while minimizing its negative impact on the environment (Porter & Kramer, 2006). There are several initiatives by policy makers and various stakeholder representatives to spread the idea of environmentally responsible behaviour. Previous studies (Rahim, Jalaludin & Tajuddin, 2011; Brettel & Arendt, 2010; Kipruto, 2014) demonstrate the environmental responsibilities enhance the reputation of the organization, increasing their trustworthiness and the positivity of their brand image and that way, allowing for their validation and acceptance within various networks and economic frameworks. Despite this noted impact of corporate social responsibility on the image and brand of the organisation, evidence appears to be scarce on its direct relationship to outcomes of organisational performance, particularly in the Nigerian oil and gas industry.

The inconclusiveness of research on the nature of the relationship between corporate social responsibility and organizational performance, reinforces the need for further research, especially empirical investigations in determining the nature of the relationship between the variables, especially in Nigerian oil and gas firms.

This research departs from previous knowledge in the sense that it addresses the relationship between environmental responsibility and organisational performance. The specific objectives of the study are to:

i. Examine the relationship between environmental responsibility and innovation of multinational oil and gas firms in Rivers State
ii. Ascertain the relationship between environmental responsibility and organisational learning of multinational oil and gas firms in Rivers State
iii. Determine the relationship between environmental responsibility and market share of multinational oil and gas firms in Rivers State

Conceptual Framework

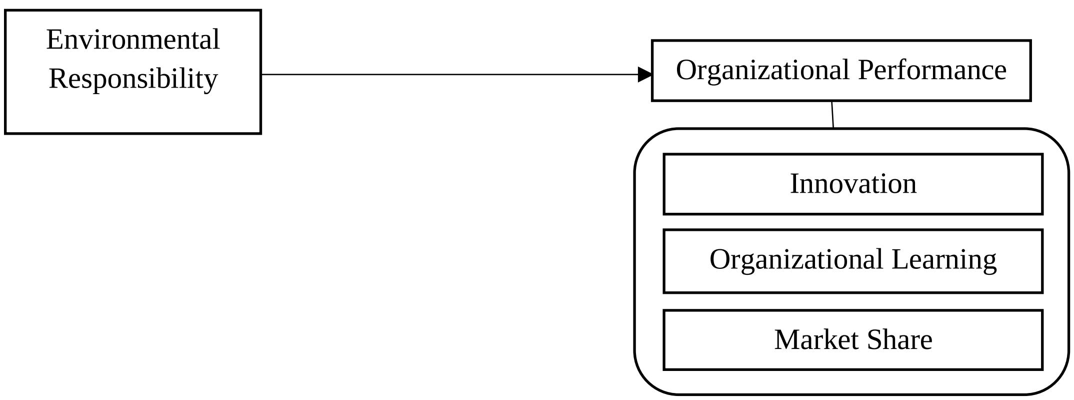

Figure 1: Environmental Responsibility and Organizational Performance
Source: Researcher's Desk (2024); with the measures of organisational performance sourced from Richard, et al (2015).

The following research questions were put forward in line with assessing the relationship between environmental responsibility and organizational performance within the context of multinational oil and gas firms in Rivers State. They are as follows:

i. What is the relationship between environmental responsibility and innovation of multinational oil and gas firms in Rivers State?

ii. What is the relationship between environmental responsibility and organisational learning of multinational oil and gas firms in Rivers State?

iii. What is the relationship between environmental responsibility and market share of multinational oil and gas firms in Rivers State?

LITERATURE REVIEW

Theoretical Review

Stakeholder Theory

Stakeholders are individuals or groups with specific claims, stake or interests in the activities of a company in its business and operations, so they also monitor the performance. The stakeholders' theory by Edward Freeman, (1984) was to resolve some gaps of the shareholder theory (Edward, 1984). Edward extended the work of Ian Mitroff, Richard Mason and James Emshoff. The word "stakeholder" is from a pioneering work at Stanford Research Institute (SRI) in the 1960s; also influenced by concepts from planning department of Lockheed Company. Ideas were developed from Igor Ansoff and Robert Steward. The theory explained that corporate managers have a wider scope of coverage to include all groups, that the actions or activities of the business can affect; hence not only the shareholders (Cordeiro & Tewari, 2015).

In a multinational environment, the stakeholders could also include governments, activist, bankers, financiers, special interest groups, the environment, media, and technological progress forming a group of global stakeholders (Nwanji & Howell, 2007). The stakeholder theory began as an alternative to the shareholder theory; it has diverged along three distinct paths: descriptive, normative and instrumental, i.e. descriptive accuracy, instrumental power, and normative validity (Donaldson & Preston, 2015). Donaldson and Preston (2015) stated that the theory can be examined through three perspectives; the descriptive perspective shows an empirically oriented use of the theory, i.e. how concepts correspond to reality, with an aim of understanding how managers deal with Stakeholders and how they represent their interests.

Conceptual Review

Environmental Responsibility

According to Gunningham (2009), environmental responsibility is the belief that organizations should behave in as environmentally friendly a way as possible. It's one of the most common forms of CSR. Some companies use the term "environmental stewardship" to refer to such initiatives. Halkos and Evangelinos (2012) contend that corporate environmental responsibility refers to a company's duties to abstain from damaging natural environments. The term derives from corporate social responsibility (CSR). Corporate environmental responsibility (CER) is, in many ways, connected to CSR, as both of them influence environmental protection.

The environmental aspect of corporate responsibility of business organizations has been widely debated over the past decades as stakeholder's demands increase tremendously on organizations to be more socially responsible and environmentally conscious in their business operations. Porter and Kramer (2006) argued that social and environmental responsibility of organizations have become an inevitable priority for business leaders in every country, whereas Eden (2013) maintained that neglecting environmental issues may be costly in the long run, and emphasized also on the impact that it can have on the legitimacy of the organization.

Concepts of Organizational Performance

Performance represents a state of competitiveness, attained through a level of effectiveness and productivity that ensures its strong presence on the market, considering the multiform and complex interaction between numerous factors (Dragomir & Pânzaru, 2014). The organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Specialists in many fields are concerned with organizational performance, including strategic planners, operations, finance, legal, and organizational development. Performance, therefore, can be defined as the evaluation of the constituents that try to assess the capability and ability of a company in achieving the constituents' aspiration levels using efficiency, effectiveness, or social referent criteria (Guest, Sanders, Rodrigues & Oliveira, 2021).

According to Richard, Devinney, Yip and Johnson (2015), organizational performance is assessed in order to improve the organization's performance. This according to him is a helpful procedure as; by conducting regular assessments of the recent performance of the company, the organization can be aware of the growth of the company towards the goal of the organization. The main aim behind the improvement of an organizational performance is to be assured that the company designs its processes well. It is also required by the organization to be able to monitor, analyze and enhance its performance, to be able to improve outcomes, systematically. It includes the measurement of the functioning of processes that are important for the organization. It also measures the services and the changes that have been identified and indicated, to enhance the overall organization and performance (Anele, 2019). It incorporates various methods, within its strategies.

Concepts of Organizational Performance

Innovation

Innovation plays an important role individually and organizationally on the changing business environment. Innovation is identified as value added to organizational performance and activities (Pfeffer & Sutton, 2001). Innovation is developing beneficiaries’ value by providing new needs or achieving the existing beneficiaries and market demands in distinct ways (Jaskyte, 2011). There is an argument that in the contemporary business world concerning organizations, innovation is widely perceived as an important source of competitive leverage in an increasingly fluctuating world (Dess & Picken, 2000). According to the new World Economic Forum report 2018, around 133 million new jobs may provide by 2022, while 75 million jobs are change by technical innovation (Leopold, Ratcheva & Zahidi, 2018).

Organizational learning

Learning is a collective multilevel process consisting of psychological and social processes involving intuition, interpretation, integration, and institutionalization of knowledge (Hussein, Mohamad, Noordin, & Ishak, 2014). As defined by Fiol and Lyles (cited in Namada, 2017), learning means the process of improving actions through knowledge and perception. Learning provides individuals with relevant personal, professional, and social competencies (Oh, 2018) and experiences (Idowu, 2013). When learning takes place in the organization, we say that the organization has the ability to use techniques and processes necessary for turning knowledge into skill.

Market share

According to the American Marketing Association website (2024), market share can be defined as the proportion of the total quantity or dollar sales in a market that is held by each of the competitors. The market can be defined as broadly as the industry, or all substitutes, or as narrowly as a specific market segment. The choice of market depends on which level gives the best insight into competitive position. The role of market share in positively being associated with firm performance has received increasing attention in the marketing discipline since 1970 (Kurtz & Rhoades, 2012). The nature of the relationship between market share and business profitability has intrigued researchers, consultants and managers for years (Prescott, Kohli & Venkatraman, 2016).

Empirial Review

Environmental Responsibility and Organizational Performance

Yahya and Ha (2013) conducted a study on the relationship between environmental issues and organizational performance. The aim of the study tends to establish a possible relationship between sustainable business practice and firm performance. Using a field survey methodology, a sample of 60 manufacturing companies in Nigeria was studied. The firms were categorized into two groups, environmentally ‘responsible’ and ‘irresponsible’ firms. An investigation was undertaken into the possible relationship between firm performance and three selected indicators of sustainable business practice: employee health and safety (EHS), waste management (WM), and community development (CD), common within the 30 ‘responsible’ firms. Findings from empirical results reveal that the sustainable practices of the ‘responsible’ firms are significantly related with firm performance. The paper concludes that, within the Nigerian setting at least, sustainability affects corporate performance and sustainability may be a possible tool for corporate conflict resolution as evidenced in the reduction of fines, penalties and compensations. The study recommends research into the relationship between sustainability and conflict management.

Rae, Sand and Gadenne (2015) carried out a study on the association between organizational commitment and corporate social responsibility-environmental performance within an integrated sustainability balanced scorecard framework. The study investigates whether organizational commitment is associated with organizations’ CSR performance within sustainability aspects of their internal process. A structural equation model (SEM) tested two sequential direct associations between: (1) senior management employees' affective and continuance organizational commitment and organization’s conventional value-creating internal processes; (2) conventional value-creating internal processes and organization’s CSR performance within sustainability value-creating internal process. The SEM results show an indirect association between affective commitment and CSR performance within sustainability value-creating internal process, which is mediated by the conventional value-creating internal processes. The findings support an integrated sustainability internal process within a sustainability balanced scorecard (SBSC) as depicted in Kaplan and Norton's strategy map. The study concludes that organizations should develop internal processes that promote CSR outcome characteristics when employees possess higher levels of affective organizational commitment.

In a study conducted by Dash, Bhal and Udgata (2009) on organizational culture and environmental responsibility: a study of textile industry in India. The study aims to assess the culture of the organizations and correlate it with their level of environmental responsibility. The study analyzed the organizational culture and environmental responsibility of the sample organizations. The results highlight the importance of matching the measures of Environmental Responsiveness (ER; technology and BOD level) with the beliefs of people (culture) to assess the organizational position on ER, that could vary from committed to facade (only talk) to disconnect (responsiveness as an administrative/procedural issue). The study concludes that the culture of an organization influences its policy and strategy for protecting the environmental pollution.

METHODOLOGY

As a correlational study, this research adopted the correlational design in its investigation of the relationship between environmental responsibility and organizational performance of multinational oil and gas firms in Rivers State. The universal population for this research is such that borders on the entirety of the Nigerian oil and gas industry. However, owing to related concerns of feasibility, an accessible population of seven multinational oil and gas organisations were selected in this research. This study is to be conducted as a census investigation. Seven oil and gas firms were identified as satisfying the listed criteria for the study and all seven are included in the study, with representative units of measurement from each organisation, comprising five (5) management staff. This gives a total of 35 elements who participated in the study. The measurement of both variables is such that is based on the adoption of the 5-point Likert type scale in the assessment of the properties or indicators of the variables. A 4- item instrument was utilized in the assessment of the environmental responsibility (Dahlsrud, 2008). The criterion variable, organizational performance, was measured using innovation, learning and market share, with a 12-item instrument adapted from existing research on the variable (Richard et al, 2015). All items are stated in the positive and with the Likert type scale structured and ranked accordingly from 1 = strongly disagree, 2 = Disagree, 3 = Undecided, 4 = Agree and 5 = Strongly Agree.

Presented in table 1 is the result for the reliability test for the instrument.

Table 1: Reliability results for the study

Constructs	Dimensions/Measures	No. of Items	Alpha Coeff.
Environmental Responsibility		3	0.811
Organisational Performance	Innovation	3	0.844
	Organisational Learning	3	0.908
	Market Share	3	0.870

Source: Research Survey (2024)

The table 1 presents the result for the reliability test on the instrument for the constructs of corporate social responsibility and organisational performance. The result from the Cronbach reliability test, shows that all coefficients for the dimensions and measures can be considered as good and adequate (where $\alpha > 0.70$). Thus, no adjustments were made to the instruments as it was considered substantial for the investigation. The Pearson Product Moment Correlation was the method for data analysis.

DATA ANALYSIS AND RESULTS

The test on the relationship between environmental responsibility and organisational performance, assessed the extent to which environmental responsibility influences performance measures comprised of innovation, organisational learning and market share.

Table 2: Environmental responsibility and organisational performance

		Environmental Responsibility	Innovation	Organisational Learning	Market Share
Environmental Responsibility	Pearson Correlation	1	.691**	.719**	.593**
	Sig. (2-tailed)		.000	.000	.000
	N	35	35	35	35
Innovation	Pearson Correlation	.691**	1	.783**	.703**
	Sig. (2-tailed)	.000		.000	.000
	N	35	35	35	35
Organisational Learning	Pearson Correlation	.719**	.783**	1	.884**
	Sig. (2-tailed)	.000	.000		.000
	N	35	35	35	35
Market Share	Pearson Correlation	.593**	.703**	.884**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	35	35	35	35

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Research Survey (2024)

Environmental responsibility is revealed in the table 2, to be a significant antecedent of organisational performance. The result from the analysis shows that environmental responsibility, significantly influences the outcomes of innovation ($R = 0.691$ and $P = 0.000$), organisational learning ($R = 0.719$ and $P = 0.000$) and market share ($R = 0.593$ and $P = 0.000$). The observed relationship between environmental responsibility and organisational performance, points to the extent to which considerations of the environment and the choice of alternative, eco-friendly operations, positively impact on the organisations relationship with stakeholders and thus drives its performance outcomes. In line with the evidence generated, related null hypotheses are rejected as the research finds that:

i. There is a significant relationship between environmental responsibility and innovation of multinational oil and gas companies in Rivers State
ii. There is a significant relationship between environmental responsibility and organisational learning of multinational oil and gas companies in Rivers State
iii. There is a significant relationship between environmental responsibility and market share of multinational oil and gas companies in Rivers State

DISCUSSION OF THE FINDINGS

The practices of environmental responsibility are revealed in this research to not only be prevalent within the context of multinational oil and gas companies in Rivers State, but to also impact positively on the outcomes of performance, comprised of innovation, organisational learning and market share. The finding identifies environmental responsibility as a significant predictor of organisational performance, pointing to its role as necessary in driving improved performance outcomes for the multinational oil and gas companies in Rivers State. Environmental responsibility is shown to contribute to the organisations ability to meet planned and projected goals and also cope with the emerging demands of its market. Schwartz and Cragg (2017) in an earlier study, affirmed to the link between environmental responsibility and operational stability, a condition or outcome that enabled the pursuit of economic objectives and goals at a more efficient and consistent pace.

Environmental responsibilities are such that apart from advancing a more econ-friendly and community, they also contribute toward strengthening the organisations embeddedness and validation within the communities, and that way, enabling a more conducive work or operational context where the organisation is able to drive performance outcomes such as innovation, organisational learning and market share. The relationship between environmental responsibility and organisational performance is such that is corroborated by existing research (Bénabou & Tirole, 2010; Schneider & Schmidpeter, 2012; Porter & Kramer, 2006), particularly such that identify the imperatives of alternative eco-friendly activities and operations in creating sustainable outcomes for the organisation and ensuring its actualization of innovation, organisational learning and market share, especially for the multinational oil and gas companies in Rivers State.

CONCLUSION AND RECOMMENDATION

The relationship between environmental responsibility and organisational performance, demonstrates the extent to which environmental responsibility influences and that way, impacts on the behaviour and operations of the organisation. This as shown by the findings of this study, is crucial as it contributes toward enabling quality relationships between organisations and their stakeholders, and also ensuring that trust and healthy levels of collaboration are established between the organisation and its various stakeholders; enabling of the actualization of organisational objectives and goals. Following this observation, it is concluded that the reinforcement and development of operations and behaviour that reflect and emphasize environmental responsibility further drive the capacity for improved outcomes of innovation, organisational learning and market share of multinational oil and gas companies in Rivers State. Drawing on the conclusion reached for this research, it is recommended that the leadership of multinational oil and gas companies in Rivers State should focus on adopting practices and approaches to operations that are eco-friendly, and demonstrate responsibility toward the environment, thus enhancing their relationship with stakeholders and enabling a more collaborative outcome.

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