
STAKEHOLDER DYNAMICS IN THE EXTRACTIVE INDUSTRY: WORKING TOWARDS SUSTAINABILITY

- **Dr. Ron Sookram**
- **Centre for Corporate Responsibility**
- **Arthur Lok Jack Graduate School of Business**

Defining Stakeholders

Traditional definition

“Any group or individual who can *affect* or is affected by the achievement of an organization’s objectives... ”
(Freeman, 1984)

Defining Stakeholders

▪ Carroll and Buchholtz (2006) also noted:

“...that just as stakeholders may be affected by the actions, decisions, policies, or practices of businesses, stakeholders might also affect the organisation’s actions, decisions, policies, or practices.”

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- The term affect implies a potentially positive or negative effect a group or individual can have on an organization, and vice versa.

The Stakeholder Approach

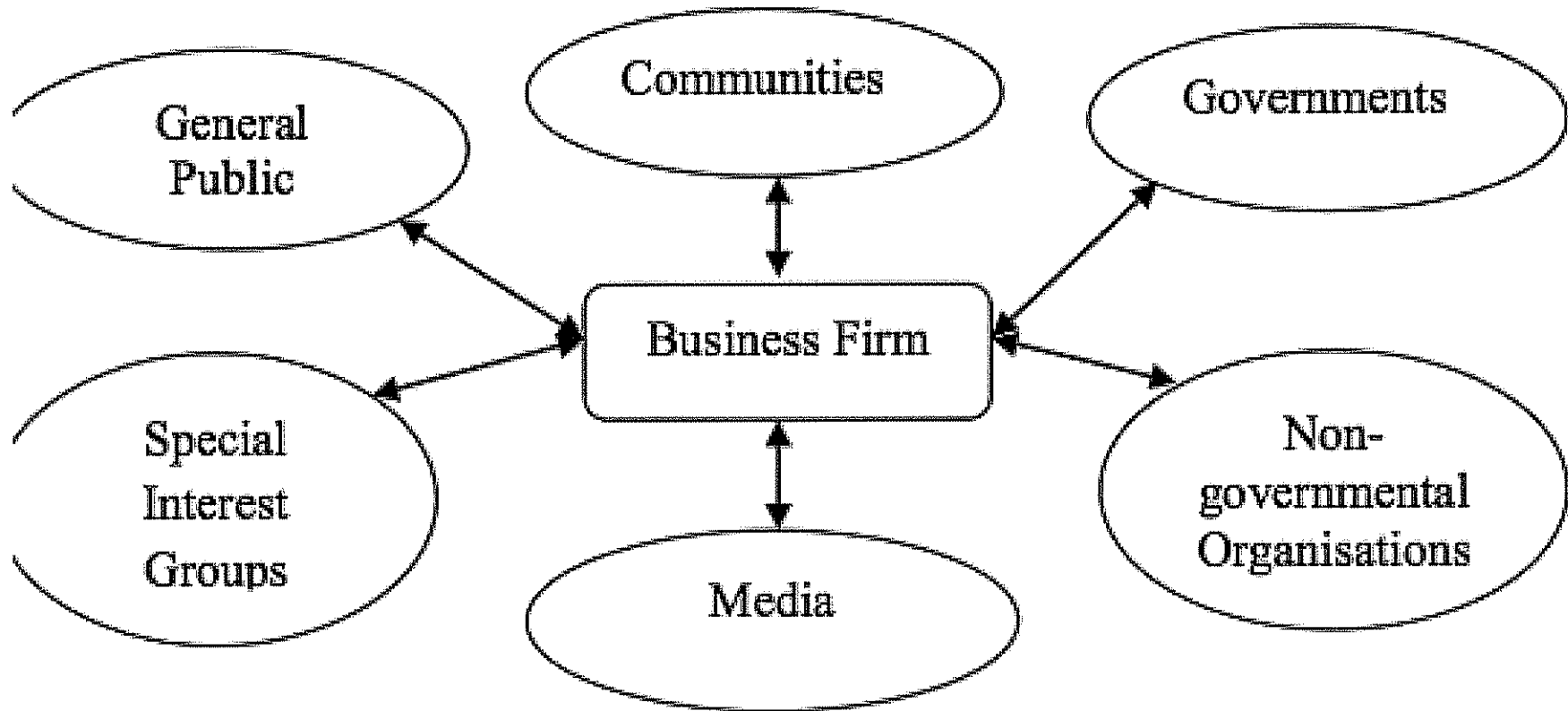
- Facilitates a firm's understanding of its actions and the reactions it triggers, as well as the actions of other constituents and their reactions to them.

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- This approach recognizes that firms are no longer self-sufficient, but dependent on other constituents in their nonmarket environment to survive and succeed

Non-Market Stakeholders

- Those individuals and groups, who do not necessarily engage in direct economic transactions with the firm, but are affected by or can affect its strategic objectives (Lawrence and Weber, 2011).
- They are also known as secondary stakeholders (Clarkson, 1995)

Source: Nonmarket Stakeholders (Lawrence and Weber, 2011: 10)



Focus

(Context of extractive industries)

- **Communities**
- **Civil Society**
- **Natural Environment**

Communities as Stakeholders in the Oil/Gas Industry

Most scholars have generally defined community in relation to three factors:

- Geography,
- Interaction, and
- Identity

Local Communities as Stakeholders in the Oil/Gas Industry

Stakeholder Communities in the Oil and Gas Industry can be categorized as follows (Agim, 1997):

1. Producing/host Communities
2. Transit Communities
3. Terminal Communities
4. Impacted Communities

Civil Society - NGOs

- The civil society sector is regarded as the balancing force that protects the generality of the society against the excesses of government and business (Reece, 2001).

NGOs

- Most local NGOs have a thorough understanding of their local communities,
- They are able to prioritize community problems within their context for more effective management (Langran, 2002).
- Local NGOs are in the best position to identify better approaches to resolving problems at the community level (Nikkhah and Bin Redzuan, 2010).

NGOs

- Most Energy related companies in T&T undertake their social and environmental projects in collaboration with civil society organizations, particularly, NGOs.
 - » Capacity issues among NGOs
 - » Need for more collaboration among NGOs (stop competing – enhance funding, impact etc.)
 - » Companies could play a vital role in developing NGO capacity

Reassessing Stakeholder Engagement

- In the literature, stakeholder engagement has mainly been described in terms of communication and dialogue
- Need to distinguish between firms merely interacting with stakeholders and engaging with them.

Stakeholder Engagement

- Engagement is interaction that involves, at a minimum, recognition and respect of common humanity, and taking cognizance of the ways in which the actions of one may affect others (Noland & Phillips, 2010)
- The quality of the outcome of the engagement is evidenced by the extent to which the organisation has adjusted its policies and practices and the level of stakeholder satisfaction.

Stakeholder Engagement

- A key factor in stakeholder engagement is also whether stakeholders have meaningfully and actively participated in the engagement process.
- The quality of stakeholder engagement must reflect a link between engagement and decision-making

Stakeholder Engagement in T&T context

- Consultation (most popular)
- Info-session (Autocratic)

There are growing levels of:

- Involvement
- Collaboration
- Partnerships

Major Environmental Impacts in T&T

- Deforestation and land degradation
- Uncontrolled release of hydrocarbon from blowouts
- Contamination of water courses- oil spills, disruption to ecological life and biodiversity
- Release of gaseous emissions

(Avryl Mohamed, 2012)

Environmental Impacts (NEP of T&T)

Initiatives to manage external environmental costs of exploiting primary fossil fuel energy resources:

External costs associated with the existing methods for energy acquisition, extraction, transmission (from the fields to the processing hubs), processing and distribution (locally and to foreign markets) in Trinidad & Tobago include:

- Lowered resilience of natural ecosystem components (e.g. health of mangrove wetlands, marine water quality, marine fauna / flora populations to support commercial fishing activities)
- Reduced quality of life (e.g. adverse health effects due to exposure to pollutants from waste outputs of energy processes)
- Lowered economic robustness due to over-dependence on a limited energy resource pool that consists nearly totalling of scare fossil fuel energies (reduced energy security)

Social Impacts

- Displacement of communities
- Disparity in distribution of wealth
- Employment Expectations in Fence-line communities

How is effective stakeholder engagement linked to sustainability?

- Avoid instability
- Adequately identify relevant and high priority social, environmental and economic issues as these impact on community development
- There is a greater holistic approach to development
- Effective use of scarce resources - greater impact of initiatives/projects
- More effectively mitigate risk
- Minimize negatives and maximize positives
- Synergistic dynamics