

## INFLUENCE OF ETHNIC DIVERSITY AND CORPORATE SUSTAINABILITY OF OIL AND GAS CORPORATION IN NIGERIA

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### ABSTRACT

*This study investigated the relationship between ethnic diversity and corporate sustainability, of oil and gas multinational corporations in Nigeria. Research evidence indicates that the corporate sustainability goal is yet at its optimum using the infrastructural and social responsibility approach. The study specifically addressed the relationship between ethnic diversity and the measures of corporate sustainability (environmental, economic and social). The study adopted the cross-sectional survey design. Structured questionnaire from 158 members of the 44 target organizations was used to generate data for the study. Three null hypotheses were formulated to guide the study. The Spearman's rank order correlation coefficient was used to test the bivariate analysis. The tests were carried out at 0.05 level of significance and analysed using SPSS tool. The findings showed that there is a significant relationship between ethnic diversity and measures of corporate sustainability. In conclusion, the study affirmed that ethnic diversity of oil and gas corporations in Nigeria impact significantly on corporate sustainability as it contributes substantially towards the unification of organizational members' ideals and values. Based on the findings, the study recommends that organizations in pursuit of corporate sustainability should emphasize on policies and culture of inclusive diverse workforce with focus on generational gaps to achieve a greater environmental, economic and social corporate sustainability.*

**Keywords:** *Ethnic Diversity, Corporate, Sustainability, Corporation, Multinational*

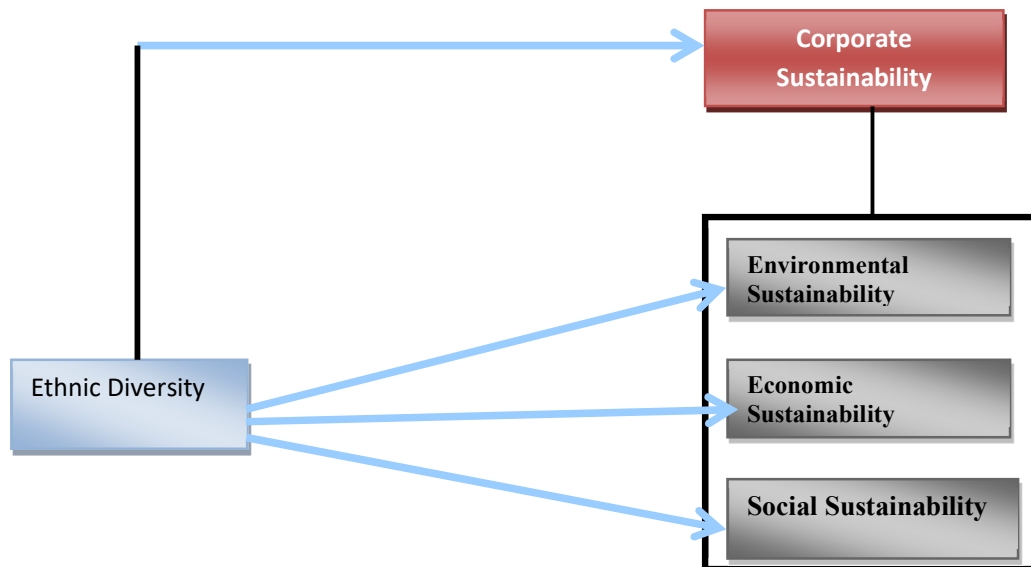
### INTRODUCTION

The activities of oil and gas corporations in Nigeria have been widely criticized about environmental, social and economic benefit to the host communities. In a bid to achieve corporate sustainability within Nigeria, they engage in the building of hospitals, schools, markets and provision of pipe borne water amongst others (Amaeshi, Adi, Ogbegie, & Amao, 2006). Academics, such as Edoho (2008), Frynas (2009), Akpan (2006), Tuodolo (2007, 2009) and others have argued that these are best described as corporate social responsibilities. They contend that despite organizations' efforts and attempts at sustainability, the process of corporate sustainability in Nigeria is not far-reaching or deeply entrenched. In this regard, Porter & Kramer (2011) viewed this as one of the major causes of environmental, economic and social problems. This is because, such sustainability programs or behaviour are considered as inconsistent, inadequate and has subsequently led to poor perception by members of the public (Amaeshi, Adi, Ogbegie & Amao, 2006).

Studies indicate that the consciousness and importance of environmental, economic and social issues has become vital to oil exploration in Nigeria and around the world. It has been over twenty years since the Brundtland Report drew the attention of the world to the need to re-examine the corporate firm's behaviour and ways of increasing use of resources with little or no interest for either the environment or future generations (Guterres & Spiegel 2012). Nonetheless, this notion remains elusive within the region of Nigeria and its environs since, oil and gas multinationals and indigenous corporations within the region still express deficiencies in behavioural and attitudinal change, which do not bode well for sustainable development in the long term.

Reports of research studies have been recorded on the concept of workplace diversity within different economies and contexts with the aim of ascertaining the extent of relationships between workplace diversity and conflict (Milliken& Martins,1996), workplace diversity and corporate performance (Dike, 2013; Nyako, 2017). Others include workplace diversity and productivity (Barrington & Troske, K. 2001), workplace diversity and wage differences (Ashraf, 1996; Blau & Beller, 1988), and the effect of workplace diversity on stability, innovation, competitive and technological advantages (Colbert& Kurucz, 2007). However, there is a near lack of documented empirical evidence on the relationship between the chosen dimensional workforce diversity and corporate sustainability in the oil and gas corporations in Nigerian. Hence, the search for a measurable corporate sustainability. It is against this backdrop that the study sort to examine the relationship between workforce diversity and corporate sustainability especially, as it concerns the issues of environmental, economic and social problems of oil and gas corporations in Nigeria. Given the attendant reality of age, gender and ethnic diversity in the workplace, this study departs from previous studies as it investigates the relationship between ethnic diversity and corporate sustainability of oil and gas corporations in Nigeria.

### Operational Conceptual Framework



### Hypotheses

- HO<sub>1</sub>: There is no significant relationship between ethnic diversity and environmental sustainability of oil and gas corporations in Nigeria.
- HO<sub>2</sub>: There is no significant relationship between ethnic diversity and economic sustainability of oil and gas corporations in Nigeria.
- HO<sub>3</sub>: There is no significant relationship between ethnic diversity and social sustainability of oil and gas corporations in Nigeria.

### Institutional theory

As institutions influence an organization's selection of norms and alignment of behaviour with norms, the institutional theory can explain corporate sustainability activities, including reporting. This study specifically focuses on three areas where institutional forces affect corporate sustainability activity: the relationship between formal institutional mechanisms for interacting with stakeholders and corporate sustainability focus, the interaction between multinational corporations' (MNCs) corporate sustainability focus and institutional mechanisms and the role of institutional mechanisms in bringing

homogenization in corporate sustainability reporting. Institutional mechanisms, especially coercive and normative mechanisms, lead to the institutionalization of sustainability practices within MNCs (Bondy, Moon, & Matten, 2012). MNCs operate in their multiple countries with different institutional frameworks and hence are subject to multiple and sometimes divergent institutional pressures comprising diversity as well as localization expectations. Hence, the study of institutional pressures on MNCs and their reactions helps specify the boundary conditions of institutional theory. Institutional theory has viewed corporations as passive recipients of institutional pressure. However, corporations, especially MNCs, can and do play a big role in shaping institutional policies and attitudes towards the environment (Child & Tsai, 2005). Moreover, Child and Tsai (2005) found that the role of MNCs in institutional development is not environmentally regressive. MNCs provide the technical knowledge necessary for formulating new regulations and monitoring their compliance and show greater isomorphism than local firms as far as compliance with host country regulations is considered. The reasons for MNCs progressive policies regarding environmental standards include firm strategy, the need for legitimacy, institutional pressures in the country of incorporation and desire for standardization of operations across countries.

### **Ethnic diversity and corporate sustainability**

Differences in ethnic characteristics can predict team scores, which can further be interpreted as an advantage of having ethnically different views for a team, resulting in increased problem solving and team performance. Many private firms have also manifested this kind of diversity, although a good number- especially the multi nationals and those that have adopted professionalism as a value hire purely on merit (Watson, Johnson & Zgourides, G. D. 2002). While there have been a significant number of studies that have explored the effect of diversity at individual and group level, there is little theoretical guidance and a scarcity of empirical findings concerning the potentially beneficial impact of firm-level ethnic diversity on organizational outcomes (Andrevski, Richard, Shaw, & Ferrier, 2014).

Researchers have observed that diversity on an ethnic context can influence organizational synergies, innovativeness, and effectiveness in implementation of organizational programmes and practices (Gomez-Mejia & Palich, 2010). Ethnic diversity can further influence interpersonal dynamics within an organization. Interpersonal barriers rooted in ethnic differences may impede the flow of information and work designs on a corporate wide basis(Gomez-Mejia & Palich, 2010).

Earlier study on workplace diversity indicate that diversity can be either favourable or unfavourable for organizational or corporate outcomes. For instance, the positive side of diversity in organizations is associated with problem-solving talents, creativity and negatively associated with collaboration and cohesiveness (Erasmus, 2007). Research indicates that maintaining a pro-diversity work environment can effectively provide a firm with a strong competitive advantage (Clarke & Iles, 2000). Given the age of globalization and knowledge economy, business organizations will be successful only to the extent that they are able to embrace and encourage diversity by ensuring that their workplace is significantly diverse, their diverse workforce is respected, appreciated and valued (Okoro & Washington, 2012). The underlying premise is that heterogeneous groups are more likely to be creative, productive, or effective in attainment of organizational goals as opposed to homogeneous groups (Milken & Martins, 1996).

## **METHODOLOGY**

### **Research Design**

In view of the philosophical stance of the researcher, the study adopts a deductive approach as being suited for its purpose. Hence, the research design adopted in this study is a census cross-sectional survey(explanatory) design, which as a form of quasi-experimental research, supports the systematic integration of the stages of the research (from theoretical statements and prescriptions,

to actual empirical activities), and provides the required blueprint for the accomplishment of the research goal.

### Population size of the study

The population for this study comprised of 44 active oil-producing firms as licenced by the Department of Petroleum Resources (DPR). These oil and gas corporations were the notable oil and gas corporations operational in Nigeria. Thus, Human resources managers, administrative managers, operations managers, and finance managers of the 44 corporations were targeted as respondents within the organization. These classes of workers are noted to have the capacity to contribute meaningfully based on their knowledge of the operations, and functioning of the organization. One manager each from these organizations, making it a total of 176 questionnaire were distributed through our research assistance's visits and inquiry from the administrative personnel and human resource officers at the main offices of the target oil-producing corporations in Nigeria. The study adopted a census survey technique, given the specification of respondents which follows a purposive sampling and draw members from the exclusive category of management staff as stated.

### Data Analysis Technique

The Spearman's rank order correlation coefficient was utilized in the assessment of the relationship between the variables of the study at a 95% confidence (implying a 0.05 level of significance). The choice of the Spearman is premised on its flexible features and applicability for hypothesis test for data scaled both as interval and as ordinal.

### Results

Hypotheses testing for ethnicity diversity and measures of corporate sustainability

		Ethnicity	Environ	Social	Econ	
Spearman's rho	Ethnicity	Correlation Coefficient	1.000	.491**	.536**	.643**
		Sig. (2-tailed)	.	.000	.000	.000
		N	158	158	158	158
	Environ	Correlation Coefficient	.491**	1.000	.369**	.461**
		Sig. (2-tailed)	.000	.	.000	.000
		N	158	158	158	158
	Social	Correlation Coefficient	.536**	.369**	1.000	.733**
		Sig. (2-tailed)	.000	.000	.	.000
		N	158	158	158	158
	Econ	Correlation Coefficient	.643**	.461**	.733**	1.000
		Sig. (2-tailed)	.000	.000	.000	.
		N	158	158	158	158

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Research data, 2019

**i. Hypothesis (H<sub>01</sub>): There is no significant relationship between ethnicity diversity and environmental sustainability of oil and gas corporations in Nigeria:**

The findings show significant association between ethnicity diversity and environmental sustainability in organizations where rho = 0.491; and p-value = 0.00 where significance is at a

99% confidence interval; therefore, we reject the null hypothesis based on the adopted criteria of  $p < 0.05$ .

**ii. Hypothesis (HO<sub>2</sub>): There is no significant relationship between ethnicity diversity and social sustainability of oil and gas corporations in Nigeria:**

The findings show significant association between ethnicity diversity and social sustainability in organizations where  $\rho = 0.536$ ; and  $p$ -value = 0.00 where significance is at a 99% confidence interval; therefore, we reject the null hypothesis based on the adopted criteria of  $p < 0.05$ .

**iii. Hypothesis (HO<sub>3</sub>): There is no significant relationship between ethnicity diversity and economic sustainability of oil and gas corporations in Nigeria:**

The findings show significant association between ethnicity diversity and economic sustainability in organizations where  $\rho = .643$ ; and  $p$ -value = 0.00 where significance is at a 99% confidence interval; therefore, we reject the null hypothesis based on the adopted criteria of  $p < 0.05$ .

The result on the relationship between ethnic diversity and the measures of corporate sustainability are revealed to be significant. The evidence from the analysis indicates that ethnic diversity significantly and positively impacts on outcomes of environmental, social and economic sustainability of the oil and gas firms examined in this study.

Table above is used to illustrate the association between all three variables of the study namely – workplace diversity (predictor variable), corporate sustainability (criterion variable) and organizational culture (contextual variable). The results show significant levels of correlation between all variables implying existing relationships between these variables at the organization, also, the observed indirect effect ( $r = 0.731$ ) is noted to be more significant than the direct effect ( $r = 0.686$ ) of workplace diversity on corporate sustainability. Hence, the null hypothesis is rejected as the results show there is a significant moderating effect of organizational culture on the relationship between the workplace diversity and corporate sustainability.

## DISCUSSION

### **Ethnicity and corporate sustainability**

Evidence from the analysis reveals that ethnicity has a significant impact on corporate sustainability, thus implying the activities, which reflect ethnicity, are highly imperative for the organizations ability to effectively engage in environmental, social and economic sustainability. In their article, Van Knippenberg et al. (2004) described diversity as differences between individuals on any attribute that may lead to the perception that another person is different from self. Ethnicity could be better understood through the concept of an ethnic group, which is a group of people whose members identify with each other through a common heritage (Banks, 2012). Applied to a work team, this means that team members belong to different ethnic groups.

It is plausible that ethnic diversity within a work team is visible most of the time. When for example a person with African roots works together with someone with European roots, one can easily see their differences in appearance. However, ethnic diversity is more than only differences in people's appearance; it is also the differences in people's inner self, stemming from their ethnic background, that count. Bell, Villado, Lukasik, Belau, and Briggs (2010) who argue that someone's work style is often linked to the person's ethnic background give an example of this. It is assumed that ethnic diversity within a team brings about its effects in the way team members work together and in how they perform.

Ethnicity could be understood through the concept of an ethnic group, which is a group of people whose members identify with each other through a common heritage. Ethnicity refers to groups within the larger society that display a unique set of cultural traits. Group members often share a sense of community resulting from some sense of regional or geographic heritage or shared sense of belonging, based on characteristics such as common religion, language, ancestry, national or geographic origin and/or other attribute (Banks, 2012). Ethnic groups are groups with ascribed membership, usually but not always based on claims or myths of common history, ancestry,

language, race, religion, culture and territory. While all these variables need not be present before a group is so defined, the important thing is that such a group is classified or categorized as having a common identity that distinguishes it from others. It is this classification by powerful agencies such as state, religious institutions and the intelligentsia such as local ethnic historians that objectifies the ethnic group often setting in motion processes of self-identification or affirmation and recognition by others (Ukiwo, 2005, Banks, 2012).

Ethnic diversity thus describes the differences in people's ethnic backgrounds and as such possible diverse assumptions about issues such as sustainability. This agrees with Cox (2004) observation that ethnic diversity is more than only differences in people's appearance; but that it is the differences in people's values and considerations, stemming from their ethnic background, that count. Bell, Villado, Lukasik, Belau, and Briggs (2011) who argue that someone's work style and values is often linked to their ethnic background opine this assumption. On the other hand, ethnocentrism, which is sometimes wrongly used to represent ethnicity, can be referred to as judging another culture solely by the values and standards of one's own culture or expectations. Ethnocentric individuals judge other groups relative to their own ethnic group or culture, especially with concern for language, behaviour, customs and religion. These ethnic distinctions serve to define each ethnicity's unique cultural identity. Ethnocentrism may be overt or subtle and while it is considered a natural proclivity of human psychology in everyday life, it has developed a generally negative connotation (Cox, 2004).

A convergence of several factors such as the internationalization of business, development of world markets, growing workforce mobility, and the increasing awareness of individual differences have reduced the world to a global village, and each nation today is characterized more or less by a world society. Since organisations are microcosms of their societies, we now have a "diverse workforce comprising a multitude of beliefs, understandings, values, ways of viewing the world and unique information," making it a "hot-button issue" in political, legal, corporate and educational arenas (Shen, Chanda, D'netto and Monga, 2009). However, there is a need to separate the facts from the myths. Shen, Chanda, D'netto and Monga (2009) noted that adoption of diversity training and management does not necessarily increase top management diversity and overall workforce diversity. In the same vein, they referred to the study by Blum et al. (1994), which found that companies with higher diversity tend to provide lower salaries and have higher employee turnover. On the other hand, to gain the full benefits of diversity management, the authors emphasize that it is not enough to "accept that individuals are different but creating an atmosphere of inclusion and making a commitment to valuing diversity", this in turn has a spill over on the activities, actions and behaviour of the organization (Shen et al. 2009).

In other words, workforce diversity must be made a strategic feature of the organization and that the appropriate means to achieve this is through the HRM function: "The key to workforce diversity policies hinges on strategic thinking and people-centred policies. While workforce diversity policies is an approach that revolves around employees, the HRM function is the custodian of the people management processes. In the oil and gas sector, issues of managing workforce diversity and its policies have not been as openly contested as such and this study offers a strong point and anchor for understanding the role and link between diversity and the implications of organizational outcomes such as sustainability.

The study by Edewor & Aluko (2007) argued that Nigerian organisations should pay more attention to managing the increasing multiculturalism of their organisations in order to reap the benefits of managing diversity. They recognized that the task of truly managing diversity requires "cultural transformation," that is, involving "comprehensive managerial processes for developing an environment that works for all employees." This perspective is in line with international literature and is also supported by other local writers (Issa, Rankin, Attalla, & Christian, (2011). This requires developing a strong organizational culture that includes deep knowledge of the organizational policies and objectives and shared values and beliefs. Edewor and Aluko (2007) suggested a number

of initiatives to address diversity management issues akin to HRM-inspired programmes of training, policy formulation, holding social event, monitoring and leadership by example.

The findings of this study are also reiterated in that of Bamgbade, Kamaruddeen, & Nawi, (2015). One, the gaps in diversity management and the challenges of corporate sustainability, this is as they used the mixed method study of surveying 227 oil and gas workers and interviewing 10 site supervisors and managers, found that the construction firms in Abuja have not really acquired the managerial skills needed to effectively manage the diverse workforce. There is no indication that workforce diversity management is regarded as a strategic aspect of their management. More so, the majority of the managers/supervisors have not formally undergone cultural diversity training, and although few claimed to have, they all tend to rely on previous work experiences to guide them. Other findings of interest are the fact that Nigerians are truly a diverse race as different ethnic groups exhibit significantly different cultural traits unlike the stereotype of Africans, including Nigerian, as exhibiting high power distance cultures (Hofstede, 1991).

### **CONCLUSIONS AND RECOMMENDATIONS**

This is as the study finds that age diversity has strong implications for the shared values and in this vein contributes towards the extent to which the organization is able to harness the benefits and advantages offered the diversity within its workplace. In this vein, the study identifies age diversity as a substantial antecedent of corporate sustainability. Invariably, this contributes substantially towards the unification of organizational members' ideas and values. The study recommends that oil and gas corporations in Nigeria should focus on workforce diversity policies frameworks that addresses age differences and generational gaps and adopt a transparent mechanism that follow formats which clearly identify what is expected from the groups and individuals to conform with the corporate sustainability objectives and how deviations from expectations are to be managed or corrected.

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