
**Recapitulation of A PhD Study Entitled:
A Qualitative Study on the Decoupling of Environmental and Social
Issues from Management Control Systems in A Petroleum Company:
An Institutional Approach**

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The aim of this study is to understand and explain how environmental and social issues are considered and embraced in the MCS of an oil and gas company. Most of the research in the area of social and environmental accounting focuses on the issues of corporate social reporting (Albelda, 2011; Deegan, 2002; Durden, 2008; Gray, 2002; Mathews, 1997; Owen, 2008; Parker, 2005; Riccaboni & Leone, 2010). Limited attention has been given to address the question of how social and environmental issues are managed internally rather than through external reporting alone (see for example, Durden, 2008; Lamberton, 2005; Norris & O'Dwyer, 2004; Riccaboni & Leone, 2010; Rouse & Putterill, 2003). Thus, research and empirical studies that link MCS dimensions and sustainability issues are limited and under researched (Berry et al., 2008; Owen, 2008; Park (2005) .

A qualitative approach is used in this study. Forty face-to-face semi-structured interviews with Gazelle's (the case company) managers from various organisational levels and departments and with a range of various stakeholders from outside the company were conducted over a period of nine months, from July 2010 to March 2011. The interview approach provides a rich understanding of the subject under study. However, in the developing countries, there is a lack of published research that employs interview-related methodology (Belal & Owen, 2007; Yang, 2011).

In addition to the interviews, informal conversations and observations were conducted, as well as a review of the relevant documentary materials made to support the data generated from the interviews and to address the issues of validity and reliability (Creswell, 2012; Mzembe & Meaton, 2014).

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Recapitulation of the Case Study Findings:

Gazelle is located in Sudan, and it was incorporated in 2001 as a joint-operating company between a national governmental oil company and an international foreign oil company. Currently, the company is operating on behalf of different partners in two blocks, one in North Sudan and the other one in South Sudan (South Sudan is the newest country in the world after its separation from the Republic of Sudan in July 2011). Gazelle holds itself to be an environmentally and socially responsible company, as is formally stated in its mission statement and health, safety, and environment (HSE) policy. Moreover, in the organizational structure of the company, there are two departments that are in charge of and oversee the environmental and social issues. These departments are the HSE department and the Corporate Affairs and Community Development department. However, as stated in the company's HSE policy, it is the responsibility of all line departments, employees, and contractors to take care of social and environmental issues and not just the above-mentioned departments.

In 2008, the company managed to gain two European environmental management system awards – Environmental Management System (EMS) 14001 and Occupational Health and Safety Management System Specification (OHSAS) 18001. Gazelle was the first amongst the joint operating companies in Sudan to achieve such international combined distinctions. However, at the same time of receiving such certificates, the company has also been accused by an international NGO based in a Western country of contaminating the ground and surface water by chemicals that are used in the drilling process, and the dislocating of the local people from their native homes during the field development stage. This situation has probably led to a gap between what is officially and formally shown to the public, and what is actually practiced in the company. Some of the company's HSE policies and environmental management systems are described as being in place theoretically but not being fully practiced. Moreover, it seems that the striving of the company to gain such environmental certificates is only to meet external legitimacy at the time of increased public awareness and hostility towards the oil and gas industry in the country.

The main findings of the case study could be summarized as follows. First, the governmental laws and regulations, the NGOs pressure and concern, the goal to protect and maintain its reputation and public image, and the high expectations of local people are the main factors that pushed the company to consider environmental and social issues in its operations. Second, the embracing of environmental and social issues in Gazelle's mission statement, the existence of HSE policy statement, and responsible departments that supervise the social and environmental matters, as well as the receiving of environmental awards are all considered as the major facilitators that could assist the company to consider environmental and social issues in its MCS.

Due to the coercive and mimetic pressures that pushed the company to consider environmental and social issues in its operations, Gazelle has adopted several environmental and social policies and initiatives; in order to translate its mission into daily practices (Action Controls). Examples of such initiatives include – adopting a philosophy of “No discharge” of any substance what so ever into those sensitive areas, redesigning the drilling rig system while the company is working offshore, using environmentally friendly chemical mud to conserve the environment, decreasing of the CO₂ emission in the air by reducing the consumption of the diesel, and executing of some community development projects to alleviate the suffering of local people. Through the Community Development department, the company has implemented several projects, such as water supply services, health centres, education services, capacity building and training centres, and more.

To inculcate a sustainability mindset (Personnel Controls), Gazelle encourages the policy of diversity in the workforce, with particular emphasis on hiring people from the local communities. Besides ensuring diversity, such policy is a standard policy given that employment diversity will achieve the business success (Gazelle's Web Site, 2010). In addition, the company has executed various types of staff development training, especially in sustainability aspects. For instance, Gazelle has adopted a HSE training metric, which was imported from the foreign partner company. Thus, through this HSE training matrix, the company was able to explain the mandatory training programmes, and who, by position, must attend

these programmes. Moreover, Gazelle has introduced an environmental and social performance reward system whereby employees are encouraged to participate by reporting HSE matters.

Regarding the evaluation of environmental and social performance (Results Controls), the company was conducting regular meetings to decide what action, if deemed necessary, should be taken. The meetings include Management Committee (MC) meetings, partners meetings, and the general meetings. For example, every Monday, the MC's members would be updated on the company's important issues, including HSE and CSR issues. Adding to these meetings, Gazelle has formulated key performance indicators (KPIs) for each department with targets to be met. However, even though the HSE and Community Development send their reports to the MC, they did not attract serious discussion during the meetings. This could be revealed by the auditing of the foreign partner.

Finally, the case findings illustrate that the process of embracing environmental and social issues in the MCS of the company is only institutionalized in a ceremonial way to impact external constituencies and as a response to pressure rather than really being embedded into the day-to-day operations. Thus, the data collected and analysed records a state of decoupling took place in the case company. Several impediments are being behind such decoupling practice. The absence of a specific policy for social responsibility, the lack of a clear strategy for environmental and social activities, the limited engagement with the local communities and other stakeholders, the lack of monitoring and follow-up, and the conflicting institutional pressures; are all among the main obstacles and challenges of incorporating environmental and social issues in the company's MCS.

Implications and Recommendations

Based on the previous findings, this study has implications and recommendations for policy and decision-making both inside and outside the case company.

General Recommendations for the Governmental Authorities

in order to ensure sustainable management practices in the oil and gas industry in Sudan, the findings of this study suggest that the governmental policy makers in the Ministry of Environment and Physical Development, Ministry of Petroleum, and other concerned governmental authorities should consider, among other things, updating the environmental legal frameworks, as well as having the will and ability to enforce and follow-up the implementation of such legal frameworks. Moreover, cooperation and coordination are needed to overcome the state of confusion over responsibilities and mandates of various governmental bodies. In addition, there is a crucial need to improve the capacity building of these institutions and authorities. The authorities should be enhanced institutionally and supported financially to better perform their duties.

Finally, there is a need to decrease the licence area given to oil and gas companies. The state of huge concession blocks in Sudan makes it very difficult for the authorities to follow-up and controls the companies to ensure they do the right things in a much better way. In this respect, the case findings suggest a multistage licensing process to give the authorities the opportunity through approval letters, to specify the requirements and monitor more closely the different development phases.

Implications and Recommendations for the Governmental Authorities and Oil and Gas companies.

Governmental authorities and oil and gas companies should enhance the role of public participation in social and environmental decision making. The findings of this study confirmed the results of other studies in this area that called for the integration of social and environmental issues and stakeholders' concerns into the sustainability decision-making process (see for instance, Cresti, 2009; Delmas & Toffel, 2004; Durden, 2008; Norris &

O'Dwyer, 2004; Pedersen & Neergaard, 2008; Riccaboni & Leone, 2010). Enhancing the role of public participation in environmental impact assessment (EIA) studies, for example, is considered as a vital element of environmental management strategies that should be carried out and supported by the governmental authorities, oil and gas companies, and other concerned institutions. In addition, the case findings also suggest that, strategic environmental assessment (SEA) should be adopted in new areas to be licensed for oil and gas development in Sudan. The SEA should be approved by the Parliament, and be applied at the earliest stages of decision making to help formulate policies, plans, and programmes. The adoption of SEA can secure wider stakeholder participation in the decision-making process.

Another implication that could be gained from this study and which is also consistent with the results of other previous research is that the receiving of the environmental management system certificates alone cannot be used as a testimony of sound environmental performance. In practice, sometimes companies with weak environmental standards and policies, through which they seriously contaminate their environment, might still be certified (Musingwini et al., 2005). In such companies, the obtaining of the environmental certificates does not lead them to become greener in reality but could just be “green washing” or “window-dressing” practices (Morrow & Rondinelli, 2002; Okereke, 2007; Raines & Haumesser, 2002). Moreover, the governmental authorities and companies’ management should be vigilant about the fact that environmental management systems and standards that work in developed countries should not be directly transferred to developing countries without considering the divergent institutional factors, as well as the vast differences in economic development, expertise, culture, and technology between the two contexts (Hossain & Rowe, 2011; Rowe & Guthrie, 2010; Yang, 2011).

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