

FORSGREN'S INSTITUTIONALIZATION THEORY: EXPLAINING THE ROLE OF MULTINATIONAL CORPORATIONS (MNCs) ON THE STATE OF ENVIRONMENT IN NIGERIA

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Abstract: There has been a growing concern on the negative impacts of the activities of multinational corporations on the environment coupled with the lack of environmental consciousness on the part of the citizens which has caused several dangers on the flora and fauna. The study is an examination of the role of Multinational Corporations (MNCs) on the state of environment in Nigeria using Forsgren's institutionalization theory. The methodology used in this study is mainly the analysis of secondary data from journals, literatures and documentaries. Findings from the study reveal that MNCs in Nigeria focus their energy on making profit at the expense of human well-being and the environment. This is a strong gesture against a holistic sustainable development which ought not to be devoid of the human person's well-being which is against the ethics of labour and human rights. The study recommends inter alia that there is need for the government to put into consideration environmental impact mitigation in order to enhance means of livelihood. Oil companies should develop an effective culture of spill detection and implement clean-up of the affected communities; It is important that the government ensure an effective delivery of duty by the Department of Petroleum Resources (DRP) especially to see that the Global Memorandum of Understanding (GMOU) signed by the multinational corporations and their host communities are implemented to the later; International oil companies (IOCs) and government should engage members of the host communities in the management of natural resources to ensure a peaceful coexistence.

Keywords: Multinational Corporations, Environment, Pollution, Institutionalization, Forsgren.

1. INTRODUCTION

Physical environment is at a deplorable state in Nigeria. Among other concerns in environmental safety are epidemics, ozone layer depletion, global warming, soil erosion and depletion of natural habitats. All these effects of human activities on the environment bring to consciousness the opportunities, challenges and consequences of human interaction with the environment.

A healthy ecosystem promotes a healthy lifestyle because it is the source of the air, water, food, shelter, et cetera, that sustains living. It promotes not only physical but social, economic, spiritual, political and emotional wellbeing. Hence, we can also talk of other forms of environment beyond the physical. The increase in human population makes more demands on the environment in terms of increase in the production of goods and services. But failure to apply effective production and management skills brings about ecological degradation thereby destroying the life it intended saving.

Part of response to these growing human needs across the globe is made by the Multinational Corporation(MNC). Multinational Corporations are necessarily the agents of globalization. A multinational corporation is a principal producer for world trade, a vehicle of global investment and the owner and developer of the bulk modern technology. With industrial activities as major production and distribution, there is no gainsaying that the MNCs impacts immensely on the environment in which it works(Harrod, 2009). Debates on the pros and cons of globalization contain many conflicting views on the contribution of MNCs. While some highlight the positive side in terms of contribution to economic growth and national welfare, others insist that they have done more harm than good (Eden & Lenway, 2001 in Forsgren, 2004).

In Nigeria, environmental degradation became a key subject since the discovery of oil in Oloibiri in 1956 and its subsequent commercial exploration in 1958 which led to the influx of multinational corporations. A substantial lack of environmental consciousness which has aided the persistence of environmental crisis, conflicts and health hazards has really been on display. This situation has drawn various political, economic and ideological concerns and debates, many of which lack objectivity. These varied opinions on who plays what role in the incessant environmental degradation in Nigeria invites a closer examination. Arguably, the factors to environmental degradation in Nigeria are vast, but this paper sets out to investigate the role that multinational corporations plays in the present state of environment in Nigeria.

2. CONCEPTUAL ANALYSIS

Multinational Corporation

A multinational corporation is a corporate organization that owns or controls production of goods and services in a country other than its home country(Pitelis & Roger, 2000). Furthermore, Dunning & Lundan, (2008) define a multinational corporation as a company or enterprise that engages in foreign direct investment (FDI) which owns and to a certain extent controls value-added direct activities in several countries. According to Harrod (2009) multinational corporations as privately owned organizations which have production, whether goods or services, with the generation of financial surpluses, as objectives, and, which own assets used for such production in more than one national unit in a global complex of nation-states. Most times they operate as smaller companies abroad and large companies managing subsidiaries in other companies. The parent company is often located in the home country and then having foreign subsidiaries. World over, a total number of 82,000 multinational corporations is estimated with a number of 810, 000 subsidiaries(UNCTAD, 2011).

Environment

The term 'Environment' comes from the French word 'Environ' meaning 'surrounding'. Both biotic and abiotic factors make up the environment. The Biotic factors include human beings, Plants, animals, microbes, etcetera. The abiotic are light, air, water, soil, and others.(Kalavathy, 2004)The environment is therefore these sum total of interaction between these factors and other micro organisms. This interaction produces not just physical but intellectual, economic, political, cultural, social, moral and psychological or emotional elements which have been classified as types of environment.

3. THEORETICAL PERSPECTIVES

Mats Forsgren advances several theories of the multinational Corporation, namely, Industrial organization theory or market power, transaction cost theory or internalization, organizational capability theory, contingency theory, business network theory and institutionalization theory or internationalization(Mayrhofer & Prange, 2015). The difference between these theories explains the contradictory view about the behaviour of the MNC. However, of these six theories, this entry posits that the institutionalization theory best explains the role of the multinational corporation on the state of environment in Nigeria. The main thesis of this theory is that the political environment puts pressure of a non-business character on the multinational corporation, to which it has to adapt, but also it applies a more dynamic and interactive approach by projecting the ability of the Corporation to shape the environment through its own political actions(Forsgren, 2004). Political environment refers to factors arising from changes in government policies and programmes, and which influences the ability of economic entities in achieving their goal. Hence, the successful performance of the multinational company depend to a great extent on the political environment of the host country(Ibeto, 2011; Richards et al. 2009). The political environment in which the Multinational corporation work in Nigeria is characterized by severe government taxation, devaluation of currency, inflation, repatriation, expropriation, confiscation, ban of foreign goods, unstable legal frameworks, labour actions, kidnapping, cultism, extortion, terrorism and civil wars and conflicts (Griffin, 2005). These social risks often have effects on service delivery by the Multinationals.

One of the theory's major assumptions, which it shares with the business network theory, is that the corporation's behaviour cannot be understood without including the specific environment in which it operates. Hence, a country's legal systems, political contexts, labour and financial markets, business systems, values, et cetera are crucial factors that have an impact on the possibilities and difficulties of a Multinational Corporation. For the investing company, there is much more to be considered in the environment than business; politics is part of the process. This sociological, organic view of the MNCs demands that the company must make effort to achieve certain degree of legitimacy in the institutional context and political sphere, if it must exist and make progress in its immediate environment. (Forsgren, 2004).

It is very crucial to note that in considering the role of the multinational corporation under this theory, an understanding of the difference between institutional environments within the country should be the main target. This is because an MNC is divided between many actors in its discharge of services and satisfaction. On this, E. Westney opines that the main characteristics of the multinational corporation is that it is a participant in a fragmented or pluralistic context, in which a variety of institutional agencies advocate different patterns of behaviour. (Westney, 1993 in Forsgren, 2004) For instance in Nigeria, while the government's main interest may be the taxation of the MNCs, different groups and individuals at the bottom of the pyramid may agitate for other demands like employment opportunities, good roads, scholarships, social infrastructures, portable water and electricity, others may also demand relocation of headquarters to host communities, farmers may need just empowerment and cleanup of spillage, others would opt for stopping of gas flaring and spillage. Against this backdrop, the community elites may just need to be settled with some bribe while all these other demands should be jettisoned. It is then cheaper and easier for the MNC to hasten with the demands of the elites in order to their business network.

Closely related to this local politics is the conflict that exists between two external institutional environments; the host country and the corporation's hierarchy, under which the subsidiary works. The tension of having two masters with varying dictates at the business and corporate contexts respectively (Forsgren, 2004) necessarily leads to a state of instability which is liable to affect commitment to certain values and ethics of business network.

Institutionalization theory also asserts that organizations are affected by a 'common understanding of what is appropriate behaviour' (Zucker, 1983 in Forsgren, 2004). In this case, the organization only needs to conform to existing patterns of behaviour in the political environment within which it operates. In other words, it must succumb to the pressures of 'environmental Isomorphism' to behave like the Romans while in Rome (Forsgren, 2004). Hence, the MNCs key into the Nigerian politics of exclusion, victimization, negligence, lack of respect for rule of law, selfishness, to mention other social vices and human rights violation but a few.

Closely related to the above ideology is the policy of domestication. According to Limna (2012) in Mark & Nwaiwu (2015), domestication involves a partial ownership transfer where companies are urged to prioritize local production and retain a large share of the profit within the country. This is a risk factor for the Multinational Corporation in the political environment of Nigeria, especially where the nationals occupy positions of great influence in the companies. The seemingly Nigerian factors of incompetence, corruption and negligence of duty have been the outcome, evident in the deplorable state of environment.

Finally, this theory also demands that the corporation gain an understanding of the rules related to governmental bodies, trade unions, the media, financial markets, et cetera. These rules constitute the expectations of the MNCs by the society and the corporation entering this society has to adapt to these expectations. However, it is quite unfortunate that most of the rules in Nigeria are often in principles, that is, if they exist at all. This has really been achieved in Nigeria where people environmental laws seem to extinct and people care less about a healthy ecosystem.

4. MULTINATIONAL CORPORATIONS AND THE STATE OF ENVIRONMENT IN NIGERIA

A very few of the top multinational corporations presently operating in Nigeria are Shell Petroleum Development Company (SPDC), Chevron Oil & Gas, Total oil & Gas, Nestle Nigeria FMCG, Halliburton Energy Oil & Gas, Unilever FMCG, Etisalat Nigeria Telecommunication, Julius Berger Construction, Adax Oil & Gas and Exxon Mobil.

There is a high rate of non-compliance with environmental laws by these multinational corporations (Benebo, 2008). This is further compounded by the attendant weak and sometimes lack of implementation of environmental policies by the national government, international organization and the seeming loss of environmental consciousness by the non-governmental human rights organizations.

Nwankwo & Ifeadi (1988) in Brown & Tari (2015), highlighted the following as the environmental problems caused by the activities of Multinational Corporations in the Niger Delta of Nigeria: Contamination of streams and rivers, oil spillage, forest destruction and bio-diversity losses, gas flaring and its effects, effluent discharge and disposal, gross socio-economic underdevelopment, conflict between oil companies and host communities, intra and inter-communal conflicts.

Some of these problems are explained by the sheer negligence on the part of those Corporations to make use of treatment machines to handle their industrial waste.

These companies do not treat their wastes before discharging their effluents into the air. Some of these waste are heavy metals like cadmium, mercury, and toxic organic chemicals such as pesticides, PCBs, dioxins, polyaromatic hydrocarbons (PAHs) like benzene, Petrochemical, Phenolic Compound lead. (WHO, 2015) Other toxins include toluene, xylene, butane and propane.(Achebe & Epsin, 2004 in Brown & Tari, 2015). These wastes are toxic and hazardous to health and contribute in a greater measure to environmental pollution. Common ailments caused by environmental pollution in Nigeria include diarrhea, skin diseases as a result of polluted water and acid rain and other health issues caused by malnutrition due to destruction of means of livelihood by degrading the environment.

Corroborating this, Akinjide (1997), opines that production and other services related to distribution of oil and gas in the Niger Delta of Nigeria has led to environmental degradation and pollution of aquatic habitat with threats to associated fauna and flora. It also affects wildlife survival. It also affects the social environment as the coastal dwellers no longer have a good environment of natural habitat, green vegetation and clean running water where they can carry out their recreational activities. They are mostly confined in their huts because of the dangers of hydrocarbon emissions in the air.

There is a high level of certainty that devoid of political or institutional influence the Multinational Corporations in Nigeria can operate with respect to labour laws, human rights and environmental ethics. An empirical study by (Harrison & Eskeland, 2002), in developing countries like Mexico, Venezuela, Morocco and Cote d'Ivoire, reveals that foreign companies has less tendency to pollution than the local firms in these developing countries, an outcome which is premised on host countries' environmental regulation and pollution abatement policies.

By no means is this theory trying to romanticize the multinational Corporation. It rather explains the possibilities inherent in the company's relationship to the political environment. First is the possibility of adaptability to the political environment, which if the political environment is good, is a positive attribute. However, on the other side of the coin, is also the possibility of the Company manipulating a particular political environment to benefit its selfish economic interest.

From our analysis of the theory of institutionalization, we have come to understand that things are not really the way they appear. To impute guilt to the MNCs without accessing other factors which influences its role would be haphazard.

5. CONCLUSION AND RECOMMENDATIONS

Having evaluated the performance of the MNCs alongside the environment in which it operates, there is no gainsaying that its interaction with governmental and non-governmental bodies only make it a regulated body. Going by this, it plays a political role which is necessarily determined by the present political environment.

It is however very saddening to find out how the MNCs in Nigeria focus their energy in making profit at the expense of human well-being. This is a strong gesture against a holistic sustainable development which ought not to be devoid of the human person's well-being. It is against the ethics of labour and human rights. To address this anomaly is to address the political environment within which the MNCs operate.

In view of the findings of the study, the following recommendations are made;

- ❖ First, there is need for the government to put into consideration environmental impact mitigation in order to enhance means of livelihood. Oil companies should develop an effective culture of spill detection and implement clean up of the affected communities.
- ❖ Secondly, a proper implementation of the Hazards and Effects Management Process (HEMP) will check the effects of environmental hazards.

- ❖ And lastly, It is important that the government ensure an effective delivery of duty by the Department of Petroleum Resources (DRP) especially to see that the Global Memorandum of Understanding (GMOU) signed by the multinational corporations and their host communities are implemented to the later (Inyang , 1997 in Brown and Tari, 2015).
- ❖ International oil companies (IOCs) and governments should engage members of the host communities in the management of natural resources to ensure a peaceful coexistence.

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