

## International Business Ethics Case Studies: A Student-Faculty Collaboration

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NOTRE DAME INITIATIVE FOR  
GLOBAL DEVELOPMENT



# CRUDE OIL: COMMUNITY ENGAGEMENT OF A MULTINATIONAL OIL COMPANY

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Greg Cook steps out of his boss's office one brisk January morning, careful not to drop the mass of papers unceremoniously thrust into his hands as he closes the door. While navigating the corporate maze of cubicles in Petrol, Energy, and Gas Co.'s (PEG) Chicago office, Greg begins to sift through his papers. An overview of AngoOil, (1) the Angolan government's oil company (2), rests atop the stack. Peeking out from beneath it, Greg sees briefings detailing PEG's recent partnership with AngoOil. He sits down to dig into the pile. The case has been clearly laid out starting with the discovery of an oil-rich reserve in Angola, but quickly followed up with data about the 1,500 soon-to-be-displaced Angolans (3) inhabiting the region, the loose governmental structure of the area, and a history of the complex relations between international oil companies and the Angolan government. Greg looks up from his reading and tries to find a landmark, anything to tell him that he is near his office. Spotting the potted plant that guards his office door,

Greg breathes a sigh of relief, thankful that he wouldn't have to ask for directions to his office (again). It has been an exhausting first week. Once inside his office, Greg smiles fondly at a framed photo of a younger, sweatier version of himself (losing badly while) playing football with Peruvian community leaders. His focus on maintaining positive relationships with local Peruvian communities while handling his former company's mining operation in the Amazon basin had attracted the attention of national media. After the Peruvian President retweeted the picture of Greg and his team playing football with the Peruvians, Greg became somewhat of a celebrity for a few days. Greg likes to joke that he keeps the photo in his office to remind himself of one of his greatest victories (the community engagement project was a huge success) and one of his greatest failures (Greg's team lost the football game 9-0).

(2) Parastatols or state-owned legal entities that undertake commercial activities under the ownership of the state.

(3)\*Standoffs between indigenous peoples, often precipitated by environmental despoliation and lack of compensation and payments, have often deteriorated into tense and conflicted relations"  
<http://www.annualreviews.org/doi/pdf/10.1146/annurev.energy.30.050504.144456>

(1) This is a fictitious company with some similarities to the Angolan government-owned company Sonangol

His success at his former company and his modest amount of fame were what landed him his new role as Head of Community Engagement in PEG's most recent Angola project. The new position came with many perks - besides a much heftier salary, Greg enjoys more responsibility at PEG, whose projects are on a much grander scale than those at his former company. He relishes the opportunity to continue his work promoting responsible business practices in a challenging industry. At the start of week two in his new role, Greg remains skeptical of PEG's commitment to social and environmental sustainability.

After the oil had been discovered, the Angolan government wasted no time in putting the land on the market - the pitch sounded good. Opening the land to competitive extraction bids would lead to significant revenues from the project - funds that resulted would help address government budget deficits, and provide much-needed support to poverty stricken regions across Angola (the fact that the proceeds might enrich government officials was not, of course, part of the official announcement (4)). PEG's proposal (5), which included a timeline, budget, and safety plan, had won the bidding war thanks to its generous promise to spend ten million USD a year (6) on a proposed community engagement project. This proposal included only vague plans, so Greg had been hired to finalize and oversee this ambitious project.



While sifting through recent reports, Greg finds that there is no shortage of hardships faced by the Angolans. The literacy rate of the adult population is 70.4%, an estimated 164 of every 1,000 children dies before the age of 5, and 1,100,000 children were orphaned in the past year.(7)

Greg shifts into a more comfortable position in his chair as he prepares to delve deeper into the country reports. He only has three weeks before he needs to present a plan for the project to senior management. He uncaps his favorite pen and gets to work.

## PART A DISCUSSION QUESTIONS

1. What is the impact of an oil company moving onto previously underdeveloped, densely inhabited land? Who are the stakeholders in a project such as this?
2. What factors must Greg keep in mind when designing PEG's community engagement project?
3. What motives could PEG have to start community engagement projects?

(4) <http://www.globalsecurity.org/military/world/angola/corruption.htm>

(5) Firms must create proposals outlining their mining strategies and plans in order to bid for blocks of land <http://www.platts.com/latest-news/oil/london/angola-launches-onshore-exploration-round-deadline-2615>

(6) Based estimate on current investments from oil companies, such as Exxon investing \$40 million in past 5 years for health care programs in Angola <http://news.exxonmobil.com/press-release/exxonmobil-celebrates-15-years-operations-angola>

(7) [https://www.unicef.org/infobycountry/angola\\_statistics.html](https://www.unicef.org/infobycountry/angola_statistics.html)





## PART B

Three weeks later, the day of Greg's presentation arrives, and he can't tell whether he is more excited or nervous as he walks into the conference room filled with PEG's top executives. After a few minutes of vigorous hand-shaking, Greg begins to present his five-year community engagement plan. The project focuses on empowering the local community through a partnership with the Angolan Ministry of Social Welfare, which would grant the Angolans some freedom in doing the work on the ground. (8) The Angolan Ministry of Social Welfare, using PEG's financial support, would spearhead the effort to mitigate the damage to the Angolan community members during and after PEG's time in the region.

Greg bounces enthusiastically on the balls of his feet as he describes his favorite part of the project, his plan to provide 300 Angolans with in-depth training that would allow them to work on-site at the mine. (9) These transferable skills would continue to serve them after PEG left the region, as Angolans with oil drilling experience are in high demand. In addition, Greg's presentation details his plans for establishing a community center and a primary school in the area.

As he wraps up his presentation, Greg again emphasizes the benefits of partnering with the Angolan government. The benefit of their knowledge of the local culture and their experience in the community would be critical in ensuring that PEG did not commit the same mistakes as countless oil companies before it. (10) PEG's executives nodded in agreement as he spoke, no doubt remembering the embarrassing headlines that had hounded Oil&Toil, one of their major competitors, after Oil&Toil had attempted to build a clinic in Nigeria without first consulting the local government. The free clinic had managed to bankrupt the only other healthcare provider in the region, a Nigerian-family-owned clinic, before Oil&Toil left the region and abandoned the free clinic, leaving hundreds of Nigerians without any options for healthcare. (11)

PEG's executives seem very pleased with themselves and the plan; there is much talk of how community engagement plans such as Greg's could be used to secure oil bids in regions across the globe. It also makes for a wonderful story in the triple bottom line annual reporting increasingly demanded by stakeholders. Greg is not listening to them - already, he is thinking of the following Monday, when he will leave for a month-long trip to Angola. He cannot wait to begin implementing his plan with assistance from the Angolan Ministry of Social Welfare.



(8) Oil companies are becoming more conscious of the need to engage in partnerships with local governments for effective corporate social responsibility. <http://scholarship.kentlaw.iit.edu/cgi/viewcontent.cgi?article=3776&context=cklawreview>

(9) Companies pride themselves on hiring local workers. For example, more than 89% of Shell's Angola workforce are Angolan. <http://www.chevroninangola.com/EN/About/OperationsHighlights/Default.aspx>

(10) In 2002, of Shell's 81 social projects in the Niger Delta, only 25 were found to function as planned.

[http://users.ox.ac.uk/~stair/2\\_1/utting%26ives.pdf](http://users.ox.ac.uk/~stair/2_1/utting%26ives.pdf)

(11) "Another common pitfall for company/community engagement strategies is when companies are the only ones defining the issues for engagement and negotiation" [http://www.cbuilt.org/sites/default/files/Corporate%20and%20Community%20Engagement%20in%20the%20Niger%20Delta\\_Lessons%20Learned.pdf](http://www.cbuilt.org/sites/default/files/Corporate%20and%20Community%20Engagement%20in%20the%20Niger%20Delta_Lessons%20Learned.pdf)



# FIVE YEARS LATER ...

Greg leans back in his well-worn leather chair, careful not to kick his coffee mug while resting his feet on his desk. He reads the latest report from PEG's employees in Angola, and, finding it consistent with the updates he has been receiving these last five years, eats a congratulatory chocolate from the box in his drawer. Though a few of the early reports from the field indicated mixed results, Greg had received mostly good news for the last two years. Overall, it appeared his projects have had a net positive impact on the community in Angola. The primary school took some time to build due to administrative issues but has been up and running for a year, with community leaders expressing great optimism. The training facility sees steady traffic and all 300 of the trained community members were employed by PEG after their training and are now an integral part of the operation.

When Greg walks into his boss's office, he is immediately taken aback by the agitated look upon his boss's face. As Greg sits down, his boss turns his laptop around, showing a report published by Human Rights Watch. Greg slumps in his chair as he reads the screen, "PEG 5-Year Plan Causes Distrust, Violence in Angola." The article takes great pleasure in unearthing "the ugly truth of what had seemed like a sound plan." The author claims that the school has faced issues with teachers not appearing for class. Furthermore, the author claims that the money for class materials had disappeared or had never made it to the classrooms. (12) According to the author, the training program does not adequately prepare Angolans for employment after the oil dries up. (13) Most troubling of all, the author attributes a recent spike in community unrest to "PEG's callous neglect of these critical issues."

Greg's mind races. Originally, he had turned the project over to the Angolan government because he had thought they were best suited to the job. He had hoped that by granting them greater power, the Angolan community would feel less invaded and more involved. (14) If Human Rights Watch claims were true, then Greg had made a terrible mistake. He thought back to all of the phone conversations he had had with the deputy assistant to Miguel Kadu, (15) the head of the Angolan Ministry of Social Welfare. Over the last 5 years, they had become close friends. Miguel had even visited Greg in Chicago, where he had met Greg's family and given each of Greg's children a beautifully carved wooden mask. Had Miguel been deceiving Greg all along? Or were Miguel's subordinates lying to him? How far did the corruption go? Could Greg blame the Angolan government at all? Or does PEG bear all responsibility?

Greg felt sick. As his head swirled with questions, one question rose to the top, too prominent to ignore. Was this disaster his fault?

(12) It has been claimed that nearly \$1.4B went unaccounted for in Angola in 2001. [http://users.ox.ac.uk/~stair/2\\_1/utting%26ives.pdf](http://users.ox.ac.uk/~stair/2_1/utting%26ives.pdf)

(13) After Angolan oil prices fell dramatically in 2014, crisis hit as workers were put out of jobs. <https://www.cmi.no/news/1671-angola-from-boom-to-bust-to-breaking-point>

(14) "[Local] communities may feel a lack of power in face of capital-intensive projects" [http://www.internationalresourcejournal.com/best\\_practices\\_in\\_indigenous\\_and\\_community\\_engagement/](http://www.internationalresourcejournal.com/best_practices_in_indigenous_and_community_engagement/)

(15) Miguel is a common name for Angolan men due to Portuguese colonization up until 1975 <https://www.britannica.com/place/Angola>



## PART B DISCUSSION QUESTIONS:

1. Which stakeholders are affected by these events? How are they affected? Who should have been involved in designing and implementing the program?
2. Should private companies engage in providing social services (i.e. schools and clinics)? Why or why not?
3. To what extent is PEG responsible for the (purported) unethical practices of the Angolan Ministry of Social Welfare?
4. What steps can Greg take to fix the program?
5. What actions could PEG take as a company?

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