Evaluating the Relevance of Community Engagement and Stakeholders Relationship in Oil and Gas Sector[∗]

Abstract

The oil and gas industry is a very dynamic and interest agitating industrial sector and involves several activities that may be perceived differently from several perspectives that may include social, political, legal, environmental, technological, economic and commercial viewpoints. All these reflect an industry which has several stakeholders and their interests can also be viewed through the aforementioned perspectives. In the dynamic landscape of this industry, effective community engagement and stakeholder relationship management stands as a cornerstone for sustainable operations, strategic decision-making, and fostering positive societal impact. Its relevance is paramount for oil and gas companies due to the industry's complex operating environment and diverse stakeholder landscape. The industry can only thrive of the face of a good and active community engagement and stakeholder relationship management. Using doctrinal research methodology, this paper has examined the relevance of community engagement and stakeholder relationship. Finding shows that the importance of the effective community and stakeholder engagement management helps the oil and gas industry in mitigating operational risks, enhancing reputational capital, facilitating social license to operate, accessing capital and talent, and promoting sustainable development in host communities. It was also our finding that factors such as historical mistrust, cultural diversity, limited human and material resource, power imbalances, regulatory uncertainties, dynamic stakeholder expectations, and socio-political tensions, poses a huddle to effective community and stakeholder engagement management. It is therefore recommended that both the host communities and the stakeholders should prioritize community and stakeholder engagement management as a strategic imperative, integrating the outcome into corporate governance, risk management, and sustainability initiatives. This will entail adopting proactive engagement strategies, transparent communication practices, and mechanisms for addressing communities and stakeholders concerns effectively.

Keywords: *Community Engagement, Stakeholders, Oil and Gas, Corporate Social Responsibility*

1.0   Introduction

A good number of supportive platforms stand as catalysts to a real and achievable productivity in any sector of a growing economy. These platforms can be seen in the realm of machines, efforts, resources, environment, and opportunities.[1] Undoubtedly, the oil and gas industry is a very dynamic and interest agitating industrial sector and involves several activities that may be perceived from several perspectives that may include social, political, legal, environmental, technological, economic and commercial viewpoints. All these reflect an industry which has several stakeholders and their interests can also be viewed through the aforementioned perspectives. In the dynamic landscape of this industry, effective community engagement and stakeholder relationship management stands as a cornerstone for sustainable

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[1] Onyeka Chiedu, Haniel Eke, and Chinedu Ogbuji, 'Community Relations and Productivity of Oil and Gas Firms in Rivers State', *EPRA International Journal of Socio-Economic and Environmental Outlook*, [2022], 9(11), 76.

operations, strategic decision-making, and fostering positive societal impact.[2] As the industry grapples with intricate challenges ranging from geopolitical complexities to environmental concerns, the significance of nurturing robust relationships with the host communities and stakeholders cannot be overstated. Helping host communities realize the benefits of oil and natural gas production requires effective community engagement and direct communication with local residents and their leadership about environmentally responsible development. Industry operators recognize that operations and activities can affect nearby communities and other local stakeholders. Hence, community relations cannot be accomplished if the parties to the relationship are not connected in any way through communication.[3] Host communities of business become aware of the plans and policies of operating firms through constant dialogue and interactions. Apparently, good community environment can strongly influence business success. It is a safe havens for good prospects in businesses. When a community or neighborhood deteriorates, property value goes down, tax revenues decline, the local market shrink, unemployment falls off, and profit sag, while at the same time cost of relief welfare, policy, and municipal services are badly affected.[4] So, for purely economic reasons, there is ample satisfaction for business to help the communities. This is why Okechukwu posited that community relations programmers were originally concerned to help a company become a good employer, neighbor, and taxpayer and purchase local products.[5] Effective management of stakeholders involved in the value chain of oil and gas businesses is vital for the success and sustenance of the industry from both short and long-term outlooks. This paper evaluates the importance of community engagement and stakeholder relationship in oil and gas sector, with a view to identifying the effect of poor management of stakeholders in the sector.

2.0   Conceptual Clarifications

2.1   Stakeholder Engagement: A stakeholder is an individual, group or organisation with interests in a venture and can influence or be influenced by activities associated with the venture.[6] We can refer to a stakeholder as an individual or group, with potentials for enabling one to achieve the objectives regarding a particular venture and can also jeopardise the prospects for achieving objectives as well. In another manner, Freeman defined stakeholder as 'any group or individual who can be affected or is affected by the achievement of the organisation's objectives'.[7] Savage defined stakeholder as groups or individuals who 'have an interest in the actions of an organisation and . . . the ability to influence it'[8]. These definitions are consistent with Foley's assertion that stakeholders are 'those entities and/or issues, which a business identifies from the universe of all who are interested in and/or affected by the activities or existence of that business, and are capable of causing the enterprise to fail, or could cause unacceptable levels of damage if their needs are not met'[9]. These views suggest

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[2] A Sharma and D McDonald, 'Best Practices for Building a Modern and Resilient Supply Chain Framework in the Oil and Gas Industry', (2023), in Stella Emeka-Okoli, Tochukwu Chinwuba Nwankwo, Christiana Adanma Otonnah, and Ekene Ezinwa Nwankwo, 'Effective Stakeholder Relationship Management in the Oil & Gas Sector: A Conceptual and Review Perspective', *Finance & Accounting Research Journal*, [2024], 6(3), 373.

[3] Onyeka Chiedu, Haniel Eke, and Chinedu Ogbuji, *Op Cit.,* 76.

[4] *Ibid.* 76.

[5] C I Okechukwu, 'Corporate Social Responsibility and Organizational Effectiveness of Insurance Companies in Nigeria', (2012), Retrieved from http:// www.emeraldinsight.com/1526-5943.htm, accessed on 11th March, 2025.

[6] R E Freeman, *Strategic Management: A Stakeholder Approach*, (Cambridge:, 2010), 53.

[7] R E Freeman, *Strategic Management: A Stakeholder Approach,* (1st Ed., Boston,: Pitman, 1984), 24-25.

[8] G T Savage, T W Nix, C J Whitehead, and J D Blair, 'Strategies for Assessing and Managing Organisational Stakeholders', *Academy of Management Executive*, [1991], 5(2), 61, 75.

[9] K Foley, *Meta-Management: a Stakeholder/Quality Management Approach to whole of Enterprise Management,* (Sydney: SAI Global, 2005), 138.

the need for interdependence between an organisation and its stakeholders. Hence, it becomes imperative to seek stakeholders support through adequate and appropriate engagement. On their part, Gao and Zhang added engagement to their definition and stated that stakeholder engagement is a process that involves an organisation sharing views through genuine dialogue with its shareholders.[10] Thus, involving organisation stakeholders in decision making through information sharing, dialoguing and establishing an avenue for mutual responsibility is an essential aspect of stakeholder engagement. Andriof and Waddock added their voices to this definition of stakeholder engagement and stated that it is a process that 'creates a dynamic context of interaction, mutual respect, dialogue and change, not a unilateral management of stakeholders'[11]. Arguably, stakeholder engagement involves attempts made by an organisation to involve its stakeholders in the organisation's activities. In the same manner, Greenwood defined stakeholder engagement as practices undertaken by an organisation to involve stakeholders in its activities and/or operations[12]. Reed added that stakeholder engagement entails a process where individuals, groups and organisations choose to take an active role in making decisions that affect them.[13] This definition emphasises the essence of participation of those who are affected by or can affect a decision. The International Standard Organisation (ISO) referred to stakeholder engagement as all the activities carried out by an organisation to 'create opportunities for dialogue between an organisation and one or more of its stakeholders with the aim of providing an informed basis for the organisation's decisions'[14]. These views further suggest that establishing, developing and maintaining relationships with stakeholders is imperative while engaging stakeholders. Scholars such as Lawrence argued that successful stakeholder engagement would result in value creation from dialogue and motivation among the parties concerned[15]. Successful stakeholder engagement could be a source of reputation gains, facilitate commitment and promote cooperation amongst stakeholders and corporations, foster project success and stakeholder satisfaction, promote ethically sound decision-making and balanced diverse claims, encourage trust and legitimacy to operate in an environment, and foster economic benefits[16]. Reed argued that the quality of decisions through stakeholder participation is firmly dependent on the nature of the process leading to such decisions.[17]

2.2 Community Engagement

Community engagement involves actively involving and collaborating with the local communities to address issues, share information and build a positive relationship, ensuring operations are sustainable and benefit the community where they occur. According to Onyeka, community relations are one of the main task areas of public relations, relating to

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[10] S S Gao, and J J Zhang, 'Stakeholder Engagement, Social Auditing and Corporate Sustainability', *Business Process Management Journal*, [2006], 12(6), 76.

[11] J Andriof, and S Waddock, 'Unfolding Stakeholder Engagement', in J Andriof, S Waddock, B Husted and S Rahman (Eds.), *Unfolding Stakeholder Thinking: Theory, Responsibility and Engagement*, (Sheffield: Greenleag Publishing, 2002), 19-42.

[12] M Greenwood, 'Stakeholder Engagement: Beyond the Myth of Corporate Responsibility', *Journal of Business Ethics*, [2007], (74), 315–327.

[13] M S Reed, 'Stakeholder Participation for Environmental Management: a Literature Review', *Biological conservation,* [2008], 141(10), 2417-2431.

[14] International Standard Organisation (ISO), 'Guidance on Social Responsibility', International Standard ISO/DIS 26000, (2010), (Geneva: International Organisation for Standardisation), 4.

[15] P D Langen, 'Clustering and Performance: the Case of Maritime Clustering in The Netherlands', *Maritime Policy & Management*, [2002], 29(3), 209-221.

[16] C Cennamo, P Berrone, and L Gomez-Mejia, 'Does Stakeholder Management have a Dark Side?', *Journal of Business Ethics*, [2009], 89, 491–507.

[17] Reed, *Op. Cit.*

building relationships and an atmosphere of mutual understanding with the organization's communities.[18] Community relations are often local, but activities in this area may also have a regional, national, or even international aspect.[19] It is an area of activity that plays a role of a bond between public relations programs and execution of corporate social responsibility. Pavlů defined community relations as a series of mutually beneficial activities conducted in partnership with one or more shareholders, and are activities aimed at shaping the company's reputation, presenting it as a cooperative member of the community, Pavlů, stated that it is easy to find similarities to the principles of socially responsible business.[20] Kane and other described community relations as a public relations function, which is an institution's planned active and continuing participation with and within a community to maintain and enhance its environment to the benefit of both the institution and the community.[21] Community engagement refers to the process of involving and collaborating with the local community to promote interaction, participation, and decision-making in matters that affect their lives.

2.3 Corporate Social Responsibility (CSR)

Abd Rahim, stated that social responsibility is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on stakeholders as well as the environment.[22] This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life of employees and their families as well as the local community and society at large.[23] The term expresses the idea that companies have responsibility beyond shareholders. It is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families and the local community and society. A Corporate Social Responsibility Policy in this context, is a set of ideas and plan of action adopted by a company as a basis for making decisions about its commitment to the company as well as the stakeholders and the host community. Having a CSR Policy in place is vital to the success of any company that wants to enjoy a harmonious relationship with its host communities. The CSR Policy should aim to minimise the company's negative impacts and maximise its positive impacts and establish stable and equitable relationship with community members. Walton emphasised that the concept concerns the intimate relationships between societies and the corporations that operate within them, which is something that managers of firms must consider as their bid to achieve organisational goals and objectives.[24] According to Maak, there will be no CSR without the building of enduring and mutually beneficial relationships with relevant stakeholders.[25] This definition makes it very clear that such relationships built with stakeholders must be long-lasting and beneficial to all parties involved, i.e. persons deemed important by the firm. Also,

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[18] Onyeka Chiedu, Haniel Eke & Chinedu Ogbuji, 'Community Relations and Productivity of Oil and Gas Firms in Rivers State', *EPRA International Journal of Socio-Economic and Environmental Outlook*, [2022], 9(11), 76

[19] *Ibid.*

[20] D Pavlů, 'Marketing and Marketing Communication in SMEs', *European Research Studies Journal*, [2013], 16(4), 113-126.

[21] GC Kane, RG Fichman, J Gallaugher & J Glaser, 'Community Relations 2.0: With the Rise of Real Time Social Media, the Rules about Community Outreach have Changed' *Harvard Business Review*, [2009] 87(11) 45-50

[22] A B D Rahim, R, Jalaludin, F W, and K Tajuddin, 'The Importance of Corporate Social Responsibility on Consumer Behavior in Malaysia', *Asian Academy of Management Journal*, [2011], 16(1), 119–139

[23] *Ibid.*

[24] C C Walton, *Corporate Social Responsibilities*, (Belmont, CA: Wadsworth, 1967), 39.

[25] T Maak, 'Responsible Leadership, Stakeholder Engagement and the Emergence of Social Capital' *Journal of Business Ethics*, [2007], 74, 329–343.

it could be seen from the perspective of cooperation between business and society in ensuring that they take the right actions in trying to protect and improve the welfare of all parties involved.[26] This places responsibility with both firms and the societies within which they operate as stakeholders that should work in harmony to get the best outcomes for everyone.

2.4   Environmental Impact Assessment (EIA)

Environmental Impact Assessment (EIA) is a systematic process to evaluate and manage the likely effect of proposed project or activities on environment. It embraces physical, chemical, biological and socio-economic aspects. Attaullah defines EIA as a systematic process to apply current scientific knowledge to check social and environmental consequences of projects, policies and programmes and device strategy to mitigate their adverse impacts.[27] It aims to predict environmental impacts of development activities at an early stage in project planning and designing to find ways and means to reduce their adverse impact, shape projects to suit the local environment and present options to decision-making.[28] EIA is one of the most widely practiced environmental management tools in the world. It is designed to identify and evaluate potentially significant environmental and social impacts of development projects and propose impactful management strategies in the best interests of the public and stakeholders. Recently, EIA has come under pressure from affected communities and interests, particularly indigenous communities, to be more effective, that is, a participatory, comprehensive, and transparent process resulting in development that delivers benefits to local communities whilst ensuring environmental protection and the preservation of traditional uses.

3.0   Theoretical Framework

Social Exchange Theory (SET)

This theory posits that human interfaces are based on cost-benefit analysis, where individuals weigh the rewards and costs of interactions to maximize their outcome. All social exchange theories share several common features. They treat social life as involving series of sequential transactions between two or more parties,[29] through a process of reciprocity, whereby one party tends to repay the good (or sometimes bad) deeds of another party. The quality of these exchanges is sometimes influenced by the relationship between the actor and the target.[30] Economic exchanges tend to be quid pro quo and involve less trust and more active monitoring, whereas social exchanges tend to be open-ended and involve greater trust and flexibility. Cropanzano defined SET as (i) an initiation by an actor toward the target, (ii) an attitudinal or behavioral response from the target in reciprocity, and (iii) the resulting relationship.[31] Relationships in the corporate world today are becoming increasingly complex.[32] In the context of corporate social responsibility, social exchange posits that

[26] G Eweje, 'The Role of MNEs in Community Development Initiatives in Developing Countries: Corporate Social Responsibility at work in Nigeria and South Africa', *Business and Society,* [2006], 45(2), 93-129.

[27] S Attaullah, K Salimullah, M. H. Shah, K Razaulkah, and I U Jan, 'Environmental Impact Assessment (EIA) of Infrastructure Development Projects in Developing Counrties', *OIDA International Journal of Sustainable Development*, [2010], 1(4), 47.

[28] J Glasson, R Therivel, and A Chadwich, *'Introduction to Environmental Impact Assessment: Principles and Procedures, Process Practice and Prospects*, (London: UCL Press, 1999), 14.

[29] M S Mitchell, R Cropanzano, and D Quisenberry, 'Social Exchange Theory, Exchange Resources, and Interpersonal Relationships: A Modest Resolution of Theoretical Difficulties', In K Tornblom and A Kazemi (Eds.), *Handbook of Social Resource Theory: Theoretical Extensions, Empirical Insights, and Social Applications*, (New York, NY: Springer, 2012], 99–118.

[30] P M Blau, *Exchange and Power in Social Life,* (New York: John Wiley, 1964), 19.

[31] R Cropanzano, E L Anthony, S R Daniels, and V Hall, 'Social Exchange Theory: a Critical Review with Theoretical Remedies', *Acad. Manag. Ann.*, 2017] 11, 479–516.

[32] L Chernyak-Hai, and E Rabenu, 'The New Era Workplace Relationships: is Social Exchange Theory still Relevant?', *Ind. Organ. Psychol*, [2018], 11, 456–481.

employees are more likely to be engaged and committed when they perceive that the organisation is investing in their well-being and that of the community. The core principle of SET is that individuals are motivated to reciprocate positive actions or benefit they receive. They evaluate the potential reward and cost of their interactions, and will engage in relationship that they perceive as beneficial. These relationships are in the nature of individual exchanging resources, not just in a transactional way, but also through social support, trust, and positive interactions. Hence, participating in community initiative can create a positive image of the company and foster a sense of pride among employees.

4.0 Principles of Community Engagement and Stakeholders Relationship

Many analysts and commentators argue that community engagement is grounded in the principles of community organization which are fairness, justice, empowerment, participation, and self-determination.[33] A key item of effective and meaningful community engagement and stakeholders' relationship is to start early. Community Engagement is not a short or medium-term enterprise. It is a marathon process that requires tenacity, perseverance and patience. In many forums, companies have accused society of imposing extra burden on them and making extra demands that is not core of what businesses do. Community Engagement is not an add-on to business, it is at the core of businesses especially oil companies that wish to remain profitable and sustainable. That is the only route to success and survival. Olufemi Obiomah succinctly summarized this principle,[34] and stated that an effective community engagement and stakeholder relationship should be able to embrace the following three factors:

1 Inclusivity: Successful community engagement and stakeholders relationship practices prioritize inclusivity by involving diverse community members, including women, youth, elders, and marginalized groups. Successful community engagement practices recognize and support the knowledge, skills, and values of community members as they engage with issues related to climate change adaptation as well as the impact on soil, water, and vegetation. Successful community engagement stakeholders' relationship practices recognize the importance of informal institutions and networks in shaping people's lives and livelihoods.[35] Pragmatic community engagement practices respect the rights of individuals to make their own decisions about how best to participate. While some communities may choose to engage through traditional decision-making processes, others may prefer other models such as consensus building or grassroots organizing that allow for more flexibility in decision making. This ensures that all voices are heard and that decisions benefit the entire community.[36]

2 Building Trust: Trust is essential for effective community engagement and stakeholders' relationship. It can be built through transparent and honest communication, consistency in actions, and actively listening to community concerns and feedback. In Nigeria and other parts of Africa, colonial masters employed suppression and the strategy of 'divide and rule' to manage community relations. This approach involved dividing communities and putting them against each other. It had devastating consequences, leading to civil wars, series of communal

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[33] J Stewart and A Sinclair, 'Meaningful Public Participation in Environmental Assessment: Perspectives from Canadian Participants, Proponents and Government', *Journal of Environmental Assess Policy Management* [2007], 9(2), 161–83.

[34] O Obiomah, 'Community Engagement Best Practices, Challenges, Benefits, and Disadvantages in the Nigerian Setting with a Focus on the Role of Government or Statutory Authority', available at https://www.researchgate.net/publication/376379792, accessed on 27th March, 2025.

[35] E H Ibrahim, A K Siti-Nabiha, D Jalaludin and Y A Abdalla, 'Community Engagement of Petroleum Company: Getting the Right Fit in Sudan', *International Journal of Human Resources Development and Management*, [2013], 13, (2/3), 169-177.

[36] *Ibid.*

violence, and genocide that still plague the continent. These historical events serve as a stark reminder of the crucial role trust plays in fostering successful community relationships.

3 Collaboration: Effective community engagement and stakeholders' relationship involves collaboration between community members, organizations, and government entities. This collaboration fosters shared decision making, cooperation, and collective problem-solving, leading to sustainable solutions. Collaboration forms the backbone of effective community engagement and stakeholders' relationship. It involves bringing together various stakeholders such as community members, organizations, and government entities, and fostering a culture of shared decision-making, cooperation, and collective problem-solving. When these different groups work together, they bring with them a diverse range of perspectives, expertise, and resources. This diversity allows for a more comprehensive understanding of the issues at hand and opens opportunities to explore innovative and sustainable solutions. In collaborative community engagement, the voices of community members are given a platform to be heard and valued. This creates a sense of ownership and empowerment among the residents, as they actively participate in the decision-making process. It also encourages transparency and accountability from all parties involved, building trust, and strengthening relationships within the community. Collaboration also enables organizations and government entities to tap into the knowledge and expertise of community members. By involving them in the process, they gain access to valuable insights, local knowledge, and lived experiences that can inform and shape the solutions being developed. This not only leads to more effective and tailored approaches but also fosters a sense of pride and investment in the community's well-being.

5.0　Relevance of Community Engagement and Stakeholders Relationship in Oil and Gas Sector

The main goal of community engagement and stakeholder management is to establish cordial relationships among stakeholders of a given venture through effective and careful management of their expectations and objectives while attempting to achieve one's own. Effective management of stakeholders involved in the value chain of oil and gas businesses is vital for the success and sustenance of the industry from both short and long-term perspectives. In the Nigerian setting, community engagement and stakeholder management in the oil gas industry is crucial due to its diverse population, cultural differences, and complex social dynamics. Mahmood is of the opinion that effective community engagement and stakeholder relationship management helps oil and gas companies mitigate operational risks by identifying potential issues early, addressing stakeholder concerns, and building resilience against unforeseen challenges.[37] By engaging with stakeholders proactively, companies can anticipate regulatory changes, community opposition, environmental impacts, and other operational risks, allowing for better risk assessment and mitigation strategies. For instance, collaborating with local communities to address concerns about environmental pollution or land use can prevent project delays, regulatory fines, and reputational damage associated with operational disruptions or conflicts. To Villamor and Wallace, maintaining positive relationships with communities and stakeholders enhances an oil and gas companies' reputational capital, which is crucial for sustaining long-term success and competitiveness in the industry.[38] By demonstrating transparency, accountability, and responsiveness to communities and stakeholders' concerns, companies can build trust, credibility, and goodwill

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[37] Y Mahmood, T Afrin, Y Huang, and N Yodo, 'Sustainable Development for Oil and Gas Infrastructure from Risk, Reliability, and Resilience Perspectives', *Sustainability*, [2023], 15(6), 4953.

[38] G B Villamor, and I Wallace, 'Corporate Social Responsibility: Current State and Future Opportunities in the Forest Sector', *Corporate Social Responsibility and Environmental Management*, [2024], 9.

among investors, customers, regulators, and the public. Positive reputational capital can lead to competitive advantages, such as increased market share, customer loyalty, and access to new business opportunities, while also mitigating the negative impacts of reputational crises, scandals or disputes. Cesar posits that effective community and stakeholder relationship management is essential for obtaining and maintaining ongoing acceptance and approval of a company's activities by local communities, governments, and other stakeholders, otherwise called a social license to operate.[39] By engaging with stakeholders in meaningful dialogue, addressing their concerns, and respecting their rights and interests, oil and gas companies can earn trust and support for their operations, reducing the risk of opposition, protests, or legal challenges. A social license to operate provides companies with legitimacy, social legitimacy, and acceptance, enabling them to operate with greater long term stability, predictability and sustainability. Strong community and stakeholder relationships can enhance an oil and gas companies' access to capital and talent by demonstrating its commitment to environmental, social, and governance principles and sustainability.[40] Investors, financial institutions, and asset managers increasingly consider environmental, social, and governance factors when making investment decisions, preferring companies with strong community and stakeholder engagement practices and responsible business practices. By aligning with community and stakeholder expectations and industry best practices, companies can attract investment capital, secure project financing, and access capital markets more effectively. Additionally, a positive corporate reputation and commitment to community and stakeholder engagement can help attract and retain top talent, including skilled professionals, experts, and industry leaders who value ethical business practices and social responsibility. Labadi affirms that effective community and stakeholder relationship management helps sustainable development in host communities by addressing social, economic, and environmental priorities and supporting inclusive growth and prosperity.[41] By engaging with host communities and local groups, oil and gas companies can identify prospects for collaboration, capacity building, and community development that create shared value and contribute to long-term socio-economic benefits. This may include investments in education, healthcare, infrastructure, and entrepreneurship, as well as initiatives to promote local employment, skills development, and small business development. By integrating community and stakeholder considerations into corporate strategies and decision-making processes, companies can contribute to the sustainable development goals and enhance their positive impact on society and the environment.

Community and stakeholder engagement plays a crucial role in ensuring that decisions are made collectively, considering the needs, aspirations, and knowledge of community members. By involving the community in the decision-making process, it enhances the legitimacy, acceptance, and effectiveness of the decisions made. This collaborative approach fosters a sense of ownership among community members, as they feel their voices are heard and their perspectives are valued. Rauler Baumgartner and Dentche[42] agree that the type and interest of stakeholders are of immense importance to organisations, as these can be utilised to

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[39] S Cesar, 'Corporate Social Responsibility Fit helps to earn the Social License to Operate in the Mining Industry', *Resources Policy*, [2021], 74, 101814.

[40] Stella Emeka-Okoli, Tochukwu Chinwuba Nwankwo, Christiana Adanma Otonnah, and Ekene Ezinwa Nwankwo, 'Effective Stakeholder Relationship Management in the Oil and Gas Sector: A Conceptual and Review Perspective', *Finance and Accounting Research Journal*, [2024], 6(3), 378.

[41] S Labadi, F Giliberto, I Rosetti, L Shetabi, and E Yildirim, 'Heritage and the Sustainable Development Goals: Policy Guidance for Heritage and Development Actors', *International Journal of Heritage Studies*, [2021], 91.

[42] Fritz, Morgane M. C., Romana Rauter, Rupert J. Baumgartner and Nikolay Dentchev, 'A Supply Chain Perspective of Stakeholder Identification as a tool for Responsible Policy and Decision-Making' *Environmental Science and Policy*, [2018], 81, 63-76.

enhance performance from corporate, business and operational perspectives. Chanya supports the aforementioned researchers and regard stakeholder identification and categorisation as the most significant step in community and stakeholder management and support the classification of stakeholders into two distinct categories, which include direct (primary) stakeholders and indirect (secondary) stakeholders. Direct stakeholders are entities that play a visible role in a particular venture and are impacted by it, while indirect stakeholders are those not involved in the venture but interested in it and inclined to monitor its progress.[43] In the context of an oil and gas operation, the direct stakeholders will include the oil and gas company, host community, government (both local and national), financial institution, investors and regulatory authorities. The indirect stakeholders will then include NGOs, academia, media and foreign governments.[44] Active community and stakeholder engagement allows for projects and policies to be designed in a way that reflects local priorities, cultural values, and environmental sustainability. Involving the community in the planning and implementation ensures that development outcomes are more sustainable and aligned with the long-term needs of the community. This promotes a sense of ownership and responsibility among community members, for being involved in shaping the future of their community. Community and stakeholder engagement spurs social cohesion by fostering relationships, building social capital, and encouraging collaboration among diverse community members. Through meaningful interactions and shared decision-making processes, community engagement promotes unity, mutual understanding, and a sense of belonging. It creates a platform for community members to come together, bridge differences, and work towards common goals, leading to stronger social ties and a more cohesive community. In summary, community and stakeholder engagement is essential for effective decision-making, sustainable development, and social cohesion. By involving community members in the decision-making process, it ensures that decisions are more inclusive and representative of the community's needs. Additionally, community engagement allows for the design and implementation of projects and policies aligned with local priorities and environmental sustainability. Finally, community engagement fosters social cohesion by promoting relationships, collaboration, and a sense of belonging among diverse community members.

4.2 Challenges

1. **Cultural Diversity:** One the challenges to Nigerian national growth is cultural diversity. In the oil and gas industry, cultural diversity is one of the primary challenges in community and stakeholder engagement. With over 250 ethnic groups, each with its unique values, norms, and communication styles, it becomes crucial to adopt tailored approaches to effectively engage with these communities. Understanding and respecting their cultural differences is essential for building trust and fostering meaningful relationships. There is a need for a good level of cultural intelligence when developing the appropriate approaches or strategies needed to engage the communities. Some communities are structured in a way that the traditional ruler holds sway and the people trust the rulers have their best interest in mind. In some other communities, they are republican in nature, such that decisions are agreed on and taken in a town hall setting that allows for as much inclusiveness as possible. In other communities, decisions made by a group of leaders are accepted by all. Each community has

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[43] Chanya, Apipalakuk, Bouphan Prachaak and Keow Ngang 'Conflict Management on use of Watershed Resources', *Social and Behavioural Sciences*, [2013], 136, 481-485.

[44] See S Genter, 'Stakeholder Engagement in Decommissioning Process', *Society of Petroleum Engineers*, 2nd December, [2019], 65, Available at https://onepetro.org/SPESM02/proceedings-abstract/20SM02/1-20SM02/D012S013R001/219456, [Accessed on 27th March, 2025].

its process of reaching a consensus; this must be taken seriously for successful engagement. This is a challenge the oil and gas companies must navigate.

2.   **Historical Mistrust:** Further to the above, historical mistrust between communities and government or statutory authorities poses a significant hurdle in community and stakeholders engagement. Past experiences of unfulfilled promises, corruption, and abuse of power have created a sense of skepticism and resistance among the communities. Overcoming this mistrust requires transparent and accountable governance, as well as consistent efforts to rebuild relationships and restore faith in engagement initiatives.

3.   **Limited Resources**: Another significant challenge is the limited availability of resources, both financial and human, which hinders the effectiveness of community and stakeholder engagement efforts. Insufficient funding, a shortage of trained personnel, and inadequate infrastructure all contribute to the difficulty in coordinating and engaging with communities effectively. These limitations make it challenging to implement sustainable and impactful engagement initiatives that address the needs and aspirations of the communities. A reliable means of surmounting this challenge is to ensure that transparency is evident in all deliberations with the community. Commitments can be structured in such a way that would make the limited resources available be used to make valuable impacts. The needs of the communities can't be met all at once. It is also important that valuable assistance is provided when government intervention is sought by the communities. This will reduce the burden of expectations of the communities from the organisation. Other challenges include power imbalances, regulatory uncertainties, dynamic stakeholder expectations, and socio-political tensions. Addressing these challenges requires a nuanced understanding of cultural differences, increased investment in resources, and a commitment to rebuilding trust between communities and authorities. By overcoming these obstacles, Nigeria can foster more inclusive and effective community engagement that empowers its diverse population.

6.0   Conclusion and Recommendation

From the analysis above it is obvious that community and stakeholder engagement management is paramount for oil and gas companies due to the industry's complex operating environment and diverse stakeholder landscape. Proactive stakeholder identification, transparent communication, mutual value creation, robust grievance mechanisms, and integration of stakeholder considerations into decision-making processes are crucial strategies for effective community and stakeholder engagement management. Challenges in stakeholder relationship management in the oil & gas sector include historical mistrust, cultural diversity, limited human and material resource, power imbalances, regulatory uncertainties, dynamic stakeholder expectations, and socio-political tensions. However, the importance of the effective community and stakeholder engagement management include mitigating operational risks, enhancing reputational capital, facilitating social license to operate, accessing capital and talent, and promoting sustainable development in host communities. The implications of these findings for social exchange theory and practice in the oil & gas sector are significant. The theory provides a valuable framework for understanding and managing relationships with the host communities, the stakeholders and the companies in the oil and gas industry, emphasizing the importance of considering the community and stakeholders' interests, values, and expectations as well as the benefit this relationship offers to the industry. It is therefore recommended that both the host communities and the stakeholders should prioritize community and stakeholder engagement management as a strategic imperative, integrating the outcome into corporate governance, risk management, and sustainability initiatives. This will entail adopting proactive engagement strategies, transparent communication practices, and mechanisms for addressing communities and stakeholders concerns effectively.