Crisis management and corporate resilience of multinational oil and gas companies in Rivers State: A theoretical perspective

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ABSTRACT: This study theoretically reviewed the linkage between crisis management and corporate resilience of multinational oil and gas companies operating in Rivers State. In a bid to understand the meaning of the study variables and their relationship, extant literature exploration was carried out and consequently discovered that crisis is an inescapable phenomenon that threatens an organization’s survival if not handled with utmost sense of urgency. We also found that crisis can be induced by natural forces as well as human action. Therefore, we concluded that to survive and bounce back to normalcy in the face of crisis, organization must be resilience-driven in their behavior. Also, that extent to which they overcome this situation is dependent on how proactive and reactive they are in ameliorating its damaging consequences. Based on this, we recommended that Multinational oil and gas companies no matter how stable and rosy their environment are at any given time, they should not be carried away rather they should remain forward looking by putting appropriate mechanisms such as proactive and reactive measures in place to combat crisis whenever it strikes.

KEY WORDS: Crisis, management, survival, resilience, oil and gas companies, Rivers State

I. INTRODUCTION

Multinational Oil and Gas companies are organizations in the business of oil exploration, oil installation services as well as petroleum products marketing across national frontiers. Oil and Gas companies are perceived by many at home and abroad as one of the most lucrative and well-paid sectors of the Nigeria’s economy and as well as a dream workplace for an average Nigerian graduate. This is because according to Hale (2002) the entire economy of Nigeria depends largely on oil revenue. In the same vein, Ku, Mustapha & Goh (2010) succinctly described Nigeria’s economy as an oil-based economy driven mainly by revenue generated from crude oil exportation to other parts of the world. Today, the Nigerian oil and gas sector is dominated by the presence of different multinational oil and gas companies as well as some minute local contents striving to carve out a niche for themselves in the midst of the giants such as Shell petroleum, Agip, Total, Chevron, Slumberger. However, due to fierce competitive nature of this industry as a result of huge tendency for greater returns on investment, the industry has been plagued with disagreements of varied degrees between the oil companies and their host communities who had over the years accused them of total marginalization and neglects in the distribution of oil revenue without them doing the needful; thereby leading to staled business-community relationship.

Consequently, the oil and gas companies are saddled with the responsibility of adopting different strategies to cope and adapt to this faceoff in order to survive and deliver on their mandate. Just as s pointed out in Bello (2011) Nigeria’s business operating atmosphere is generally characterized by array of perturbations and uncertainties provoked by macro environmental forces such as unstable business regulatory framework, inadequate power supply, and political instability and technology inadequacies. Also, beyond this general problems, one of the major challenges unique to the multinational oil and gas companies is the issue of unabated militia crisis and attacks on their oil installation facilities as a result of strained relationship with their host communities. This observed crisis has resulted in multifaceted negative implications for the survival of these companies as these militia groups engage in all manner of viles such as killing of oil company workers, rapid kidnaps of expatriates workers for ransom, destruction of equipment, increased security cost, skeletal operations, decline in product output, partial relocation and obvious tendency for early entropy if not controlled.

Given enormity of these challenges, the survivability of these companies depends largely on their resilience posture towards surmounting these challenges while seizing latent opportunities (Ogunro, 2014).
resilience was birthed because of the need for organizations to be aware of these disruptions and take precautionary measures to avert its adverse effect. The call for resilience behavior in organization became necessary as a result of the observation that no organizations exist in isolation but are mutually dependent with their operating environment (Koontz & Weihrich, 1999). This is as Stephenson (2010) asserted that resilience is now a basic necessity within organizations and should be recognized as an institutional competence and a defining ethos in their daily operations. Corporate resilience requires organizations to adapt and be highly reliable (Weick & Sutcliffe, 2007) and enables them to manage disruptive challenges (Durodie, 2003). As a result, oil and gas companies operating in Rivers State among other survival strategies view crisis management as a major source of operational sustainability. Just as Oparanma and Wechie (2014) maintained that the ability of an organization to survive depends on how effective crisis situations are managed. In fact, crisis management is geared towards increased awareness of threats and inclusion of mitigating actions to address crises when they occur. Accordingly, crisis management can be considered an imperative role of the HR which should be given significant priority (Athamneh, 2018).

Shockingly, as important as effective crisis management in stimulating organizational sustainability through resilient behavior, we have not seen much of theoretical attention on the role of crisis management on improved corporate resilience within the oil and gas sector of the Nigeria’s economy in Rivers State. Some of the investigations carried out in this area were either outside Rivers State, outside the context of oil and gas industry, empirical or adopted other variables other than crisis and resilience. For instance, Umoh and Amah (2013) empirically studied the association between knowledge management and organizational resilience of Nigerian manufacturing organizations in Rivers State. Oparanma and Wechie (2014) investigated crisis management processes to ensure effective and continuous performance. Wobodo and Asawo, Asawo (2018) investigated resilience at the individual level using knowledge sharing of tertiary institutions in Port Harcourt. Therefore in view of this knowledge gap, this study intends to theoretically examine the influence of effective crisis management in the promotion of multinational oil and gas companies' resilience in Rivers State with the following objectives.

i) To examine the linkage between proactive strategy and corporate resilience of multinational oil and gas companies in Rivers State.
ii) To examine the linkage between reactive strategy and corporate resilience of multinational oil and gas companies in Rivers State.

Figure 1: Conceptual Framework of the relationship between Crisis Management and Corporate Resilience
Source: Desk Research, 2019

II. LITERATURE REVIEW

The Meaning and Nature of Crisis Management
Organizations are considered as open system operating within a given geographical space to achieve certain goals. As stated earlier, no organization can exist without regular interface with its immediate operating environment as it provides the organization with opportunities and its basic inputs resources such as manpower and raw materials which the organization in the end rollout to the society as goods and services for consumption after processing them. However sometimes, this same environment due to its unpredictable tendency presents the organization with survival-threaten challenges in the form of crisis which if not effectively managed may slide the organization into early entropy. This is as the tendency for crises within organizations has increased
considerably in this contemporary time as different kinds of threats emerge within and outside the workplace environment (Manole, Alpopi & Colesca, 2011). A crisis situation from the perspective of an organization involves events or conditions that have their origins in the specificity of an organization, which are usually the results of management errors, a faulty structure or maladjustment to the changing environment. It is a low probability-high impact phenomenon that threatens the viability of the organization (Karam, 2018). Crisis can manifest due to ineffective leadership or as a result of natural phenomenon such as earthquake, flood, climate change etc. and as such have varied consequences on the organization depending how it is managed.

Crisis management is defined as a managerial action concerned with deployment of resources and organizational structures necessary to respond effectively in the face of obstacle and recover quickly in the aftermath (Vargo & Seville, 2011). Karam (2018) suggested that it is associated with building the capability to identify imminent threats to the organization and designing a plan for addressing those threats. Furthermore, Ronez, (2014) positioned that it is the process of anticipating, identifying, preventing and managing potential disasters by setting up appropriate plans to deal with crises when they manifest. In view of these definitions, it shows that crisis is one phenomenon that cannot be separated from a business life circle. It can occur at any time as long as organizations remain interdependent with their environment. No wonder, Oparanma and Wechie (2014) argue that no organization can operate without the occurrence of unexpected or unplanned business interruptions like strikes, layoffs, allegation of misconduct, products recalls, equipment explosions, and government policies. Therefore, the ability of organization to survive in the face of these perturbations and bounce back successfully is tied to the efficacy of their crisis management approach. In managing crisis, organizational leaders must understand the root cause of the crisis situation so as to enable them adopt strategies that suit the crisis hence, some crises can be prevented while most can only be managed. Accordingly, Sullivan (2003) spotted out five forms of crises that are likely to befall organizations at any level of their life circle as including financial, public relation, strategic, natural or sudden and smoldering crisis.

Financial Crisis
This crisis situation occurs as a result of an organization’s financial status especially, in the banking sector where a bank is unable to pay out cash to its customers due to liquidity failure thereby causing a run on the bank; and consequently drag the image of the organization to the mud if not quickly contained.

Public Relations Crisis
This type of crisis arises when organizations out of their carelessness or deliberate unethical conduct is being prosecuted by individual victims of their action through the media or a court of law thereby posing a threat to the good public image of the organization. The implication here is that if nothing is quickly done to remedy the situation, the organization may end up losing customers patronage to their closest rivals.

Strategic Crisis:
These are crises induced by certain aspect of changes in the business environment that requires constant adaptation in order not to be left behind. For instance, in the technological environment, every minute of the day scientists are rolling out sophisticated machines and gadgets for improved business operations and any organization desiring to remain viable and competitively ahead must be able and ready to synchronize these rapid changes. Practically, before the emergence of the computer age, organizations were virtually relying on typewriter to carry out their clerical tasks but when they discovered the ease associated with the use of the computer over the typewriter, there was a massive loyalty swap which immediate threw the typewriter manufacturing company into early entropy while the computer manufacturers are still in business till today.

Natural Crisis
These are crises caused by nature; they are often seen as the act of God. This is because it happens naturally without any human inducement. It can manifest in the form of flood, earthquake, hurricane, volcanic eruption, tsunamis, windstorm etc. The implication of either of these events on the organization is often dependent on their severity but some literature explicitly declared that they are usually destructive. As such, organizations are required to always be crisis prepared in order to swiftly ameliorate their damaging effect.

Smoldering Crisis
The Institute of Crisis Management (2003) sees smoldering crisis as any major business problem which is not generally known within or without the organization which generates negative news coverage or when it goes public and could result in more than a predetermined amount in fines, penalties, legal damage award, and unbudgeted expenses. As observed in Oparanma and Wechie (2014), they associated this crisis with man-made problems which are characterized as disruptions that can cause injuries to lives and properties through some acts of criminal negligence such as intentional acts of omission which can arise from several motives. They further exemplified this in terms of unlawful disclosure to employees, investors, customers, vendors and or government official, accidents and explosions arising from inadequate tool maintenance, indication of significant legal and judicial or regulatory action against the business.

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Crisis Management Process
Drawing from Andrianopoulos (2015) effective crisis management may be segmented into three fundamental phases such as the pre-crisis phase, crisis phase and post-crisis phase.

The Pre-crisis Phase
This phase is considered as the period before the emergence of crisis. During this phase the organization can proactively engage in activities geared toward isolating potential crises; thereby mitigating the tendency of a full blown crisis. This can be achieved by doing things right in such a manner that accommodates all stakeholders interests as well as taking appropriate measures that promotes environmental sustainability; for instance the adoption and implementation of green human resource management policy.

The Crisis Phase
This phase is considered as the period in which the organization is in distress or crisis. At this stage, the organization must be responsive and reactive enough to implement the crisis management plan already designed in the pre-crisis phase in order to mitigate or jettison negative effects associated with the crisis.

The Post-crisis Phase
Under this phase, the organization is perceived as a wounded lion striving to recover from an attack. It is the period following unplanned crisis situation. Here the organization in order to survive and bounce back as quickly as possible is required to be reactive and resilient than ever. In doing so, the organization must identify the root cause of the crisis and possible means of mitigating future occurrences through proactive actions.

Cultural Factors that Shape the Workplace
According Ali and Al-Aali (2017) there are forces emanating from the society that impinges on effective crisis management namely: unity of contradictions, self-censorship and blindness of the heart.

The Unity of Contradictions (Lips Service)
This is a deeply and widely shared problem in Nigerian where issues of urgent attention are rather theorized than being executed. In this situation, people saddled with the responsibility of responding to crisis situation superficially display commitment to prevent or manage the crisis while inwardly they have no intention of solving the problem. This is exactly the situation prevalent in Nigeria where both the government and organizational leaders are in the habit of making bogus promises without any iota of commitment to fulfilling it and as such has kept the country stagnated.

Self-censorship
This is yet another big obstacle to crisis prevention and management in Nigeria. This occurs when people out of fear of victimization or vested interest fail to whistle blow or criticize their organization’s unethical practices. It may take on two forms: fear of harming members in the organization or carelessness. In either case, this aspect neither helps in averting nor managing a crisis.

Blindness of the Heart
This occur when people within the organization pretend not be aware of behaviors that are harmful to the sustainability of the organization. Ignorance of such deviant or unethical behavior is usually stimulated by one’s vested interest. Though blindness of the heart may appear to be similar to self-censorship, it is different.

Approaches to Managing Crisis at the Workplace
There are a number of styles or strategies organizational leaders could adopt in dealing with crisis situations such as escape strategy, cooperation strategy, confrontation strategy, and containment strategy (El-Mahdi, 2002; Abd-Elaal, 2008). Yet others adopt a proactive strategy and reactive strategy (Hough & Spillan, 2005). To us in this study, we adopted Hough and Spillan (2005) typology due to its suitability in dealing with the peculiarity of the oil and gas companies’ crisis.

Proactive Strategy
Proactive organizations are considered die-hard organization. They rather than simply reacting to a crisis situation actively influence and engage it. They respond and face adversity and change head-on (Wobodo, Asawo & Asawo, 2018). Rotter (1966) concluded that proactive organization tends to have an internal locus of control where they believe that they have the capacity and the responsibility to control their own fate. Robbin et al., (2011) described proactiveness as a personality attribute that describes people who are prone to take actions to impact on their environment; so also does organization. Proactiveness measures the extent to which an organization is self-motivated and in such a manner that they not only succeed in the midst of obstacles and challenges but also maintain balance and stability while preparing ahead of subsequent changes. Given this assertion, proactive organization focuses on stabilizing their strength over a change through positive behaviors and actions. Frankl (2013) believes that proactive tendency enables organization to successfully preserve their strength and confidence in the midst of obstacle, no matter how traumatic.

Reactive Strategy
According to Bailey (2016) being reactive is associated with having the ability to confront pressure that comes your way in real time. In relation to crisis management, it is a situation in which planning decisions take place
Corporate Resilience

A number of publications have been made on the concept of resilience in management literature. It gained prominence in the field of organizational behavior in the early 1980s, where it was expressed as the capacity of an individual to withstand and bounce back in the face of turbulence (Watsh, 1996). It was first subjected to organizational context by Wildavsky in 1988. Since then, the concept has been a subject of progressive attention due to its implications on organizational survivability. For example, Petak (2002) conducted a research on resilience in the face of disasters like earthquake, Mallak, (1998) also discussed resilience in relation to healthcare system; while Comfort, Sungu, Johnson and Dunn (2001) examined it using information systems. Hamel and Valikangas (2003) espoused that the essence of developing resilience work behavior among employees was as a result of urgent need for organizations to respond to internal and external forces that impinge on its operational existence. According to Umoh and Amah (2013) resilience is the capacity of the organization to absorb shock and develop resistance amid crisis within its environment. Jeffery and Linda (2006) defined resilience as the capability of an organization to recover from and at the same time adapt to changes. Luthans (2002) defined resilience as a developable capacity to rebound or bounce back from adversity, conflict, failure and increased responsibility. It also looks at the capability of stressed body to bounce back in shape and size after going through hard times. For Wobodo, Asawo and Asawo (2018) it is the ability and tenacity of any organization to persevere in the face of adversity. Reivich and Shatte (2002) and Books and Goldstein (2004) studies on resilience with respect to adults undergoing stressful condition showed that resilience behavior enables individual to quickly adjust in the face of stressful situation. The implication of the existence of this type of rare behavior is strategic to organizational sustainability. This is as it provides the organization with competitive advantage since they have a remarkable tenacity to persevere in the face of adversity or crisis.

Measures of Corporate Resilience

Corporate resilience has been measured using varied indicators by different scholars at different context. For instance, Jeffery and Linda (2012) identified eight (8) measures of resilience as self-assurance, personal vision, flexibility and adaptability, organized, problem solver, interpersonal competence, socially connected and proactiveness. More so, McManus (2008) in his study utilized situation awareness, keystone vulnerabilities and adaptive capacity. But in this study, we adopted adaptability and situation awareness as they appropriately suit our study.

Adaptability

Practically, resilient organizations are those who are always cognizant of and sensitive to the changes and happenings in their environment. In Koontz and Wehrich, (1999) they concisely posit that firms do not completely isolate itself from their operating environment, thus, there is a mutual reliance. However, this mutual reliance presents the organization with opportunities and adversities(crisis) of variable degrees. Since adversity is associated with strains and pressures; it requires a progressive adaptive capacity from the organization and its employees to synchronize such changes. This is because adaptation is a major driver of a sustained resilient behavior. Specifically, studies indicate that resilient organizations are better prepared to cope with frequently changing workplace (Tugade & Fredrickson, 2004); therefore the employees must be influenced to act in favor of the organization’s objectives. Adaptability is associated with the organization’s ability to expect and respond to threats and latent opportunities by influencing the situation to their advantage (Cohen & Levinthal, 1990). Denison (2007) defined adaptability as transforming the demands of business operating environment into action. This means that to remain in business and also make profit, organizations and their employees need to continuously adapt themselves to the changing nature of their operating environment (Amah & Baridam, 2012) and Daft (1998) puts it that environmental complexity is a vital contingency for organizational structure and internal policies. Leaning on these postulations, it therefore, means that organization must have internal behaviors or policies imbedded in its core culture that encourages adaptive behavior in the event of any adversity emanating from the environment.

Situation Awareness

According to management literature, situation awareness construct was first observed in the context of military operations where pilots are required to understand, adapt and utilize a large volume of information in order to execute their task effectively. Accordingly, Endsley et al (2003) defined situation awareness as the propensity of an organization to know what is going on within its operating environment as well as understanding the usefulness of such information to them now and in the future. Situation awareness behavior is specifically essential because they want to know how that environment and the people in it influence their operations. Therefore a good grasp of this dynamics is what Goleman (1998) called being socially aware of one’s
environment. Goleman (1998) in his definition of social awareness viewed it as the ability to sense, understand, and respond constructively to other people’s emotions while comprehending works.

**Association between Crisis Management and Corporate Resilience**

According Opararanna and Wechie (2014) crisis management is associated with the process through which organizations respond to any major unforeseen adversity that threatens their existence, stakeholders, or the general public. The advocacy for effective crisis management in modern day business became necessary as a result of the observed unpredictability of business environment. The current state of the environment is so turbulent that without resilience disposition, organizations would easily be thrown into early entropy. This is because no organization operates in a perfectly stable or unstable environment; as such there is always the good and the bad days. Some of these crises manifest as a result of administrative blunder in the form of unethical practices (i.e. environmental pollution, gas flaring, unlawful disengagement of staff, strained company/host community relationship etc.) as prevalently witnessed in the oil and gas companies operating in Rivers State; for instance the Ogoni – Shell crisis. Yet others could be induced by nature such as earthquake, flood, destructive wind-storm, landslide etc. thereby requiring organizations to always be crises containment ready. This is why Karam (2018) argued that crisis management mainly focuses on threats inherent in rapidly changing environment. Therefore crisis is an inescapable part of organizational life irrespective of their sizes and shapes. Consequently, the extent to which the organization is able to swiftly respond and bounce back to normalcy after every crises situation also depends largely on its level of resilience. Accordingly, Lengrick Hall et al.,(2011) affirms that a firm’s ability to be resilient depends on the set of organizational capabilities, routines, practices and processes which the firm possesses such as crisis management expertise. Furthermore, Stuctffie and Vogus (2003) stated that through resilience behavior organizations promote competencies, restore efficacy and encourage growth especially, during and after a given crisis situation that threatens survival. For instance in Rivers State, if not for the resiliency of the multinational companies they would have by this time all left the State due to the ravaging effects of militia activities which has to great extent brought untimely deaths of both local and expatriates workers, destruction oil pipelines and rig facilities in and off shore. Consequently, the adoption of potent crisis management strategies such as proactive and reactive measures to control and prevent the reoccurrence of this menace has been ongoing.

**Association between Proactive Strategy and Corporate Resilience**

According to Wang and Ritchie (2012) crisis management is an activities undertaken to plan prior to, manage during, and evaluate following a crisis. This means that when an organization displays proactive behavior, they are already preparing themselves for the worse by putting in place remedial measures not necessarily to prevent it but reduce to the barest minimum its negative impact on the sustainability of the business. Rauch, Wiklund, Lumpki and Frese (2009) further buttress this observation when they asserted that proactivenss is an opportunity-seeking and forward looking behavior. Meaning that nothing takes a proactive organization unawares; they are always prepared. But in the case of the multinational oil and gas companies operating here in Rivers State, evidence showed that they were actually utilizing more of the proactive strategy than the proactive strategy in relation to their operational pattern. This is because proactivenss is associated with taking action such as adoption of ethical practices in every aspect of their operations (i.e. continuous environmental impact assessment, control of oil spillage, stoppage of gas flaring) and corporate social responsibility practices (i.e. philanthropy, provision of pipe borne water, employment quota to host communities etc.) in order to mitigate crisis tendency and foster harmonious business and society relationships. It was as a result of their failures in this direction that gave room to the current unabated crises threatening their existence.

**Association between Reactive Strategy and Corporate Resilience**

According to Bailey (2016) reactive strategy can be very demanding to live with, as it often means having to deal with a continuous series of crisis. Being reactive is associated with so many struggles to wriggle out of life threatening situation. It is a product of inadequate planning ahead of an anticipated crisis; probably because they lack situation awareness competency or chose to ignore the signs. Therefore to survive under this circumstance take resiliency to respond and at the same time maintain balance especially, when the crisis is unexpected in nature. For instance, while the multinational oil and gas companies were busy colluding with a select few robbing the host communities of their benefits and other unethical practices like environmental pollution that have destroyed lots farm lands and aquatic lives, they never knew that the people’s reaction will be that gravely to their operational sustainability given what they are going through now. Consequently, the multinationals have taken varied reactive remedial measures to redeem their already soiled corporate reputation. Some of their activities within this reactive strategy include the ongoing staggered Ogoni clean-up by the federal government of Nigeria, the award of oil installation surveillance contracts to some notable agitators, the amnesty program to reintegrate the ex-militia group members back to the society, engagement in social responsibility programs and allocation of employment quota to host communities; thereby bringing about a partial containment of the crisis.
III. CONCLUSION

Given the extensive literature exploration carried out on the study variables, the study discovered that crises are endemic phenomena among humans and organizations. It usually occurs in an unexpected circumstance and consequently poses a serious threat to the survival of the victims (organization/Man). Some are naturally masterminded while others are caused as a result of human negligence. It is on this note that the impact factor of crisis on the organization’s survival tendency differs in their severity. However, irrespective of whether crisis is naturally or humanly motivated, the manner and speed with which the organization recovers from its devastating consequences rests on how proactive and reactive the organization is in its management. Therefore, we recommend that oil and gas companies no matter how stable and rosy their environment is now, they should not be carried away rather they should remain forward looking by putting appropriate mechanisms such as proactive strategy (doing things in line with global best practices) to mitigate the occurrence of any human-induced crisis (i.e. rise of militia groups, oil spillage) while adopting effective reactive strategy to combat crises whenever it strikes especially those naturally induced.

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