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Managing corporate social responsibility: lessons from the oil industry

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Abstract

Purpose – The purpose of this paper is to improve the understanding of the manner in which companies deal with key stakeholders in relation to corporate social responsibility (CSR), focusing in particular on how companies can handle critical incidents related to CSR and utilize these experiences in enforcing their regular social responsibility.

Design/methodology/approach – The paper is based on a case study methodology.

Findings – CSR should be managed by a combination of handling unexpected episodes that threaten existing social responsibility (incident recovery) and the long-term reduction of gaps between stakeholder expectations and the company performance (CSR enforcement). Furthermore, CSR implies building and maintaining relationships with society through interplay between actors, resources and activities.

Practical implications – The study contributes to managerial decision making by identifying seven types of implications and activities necessary to actively manage key aspects of social responsibility.

Originality/value – The paper integrates long-term social responsibility enforcement with short-term social responsibility recovery by means of a recent corporate case from the oil industry.

Keywords Corporate social responsibility, Communication management, Stakeholder analysis, Channel relationships, Oil industry

Paper type Research paper

Introduction

Corporate social responsibility (CSR) is rapidly gaining importance for businesses all over the world. The concept is crucial for any company or organization as a prerequisite for brand value and business growth. This is apparent when the firm makes long-term investments to maintain its relations with society. However, CSR is also relevant when it comes to tackling sudden incidents, where society may seriously question the company's social responsibility and thereby challenge the corporate reputation (Sacconi, 2004).

Consequently, CSR has relevance for businesses in two ways. First, a main challenge for corporations is to connect with society in such a way that the positive public image of the company is maintained and enforced. Most companies have a certain track record when it comes to CSR as perceived by stakeholders and society through past history and actions. Since the company is dependent on the society (where its customers and other stakeholders are), this track record should be protected and to the extent possible enhanced. Activities and actions directed at this objective can be labeled CSR enforcement.

Second, whereas building and enforcing the level of CSR is a continuous long-term activity, the CSR reputation of the company can be severely affected by sudden critical events (i.e. CSR critical incidents). A critical incident is defined as "any observable

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human activity that is sufficiently complete in itself to permit inferences and predictions to be made about the persons performing the act" (Flannagan, 1954). This implies that the incident must occur in a situation where the purpose or intent of the act seems fairly clear to the observer and where consequences are sufficiently definite to leave little doubt concerning its effect. In a CSR context such events can be handled through CSR recovery.

CSR enforcement and CSR recovery are in general interdependent processes. Extensive experience from day-to-day CSR enforcement is likely to make the company more resistant to attacks from sudden, unforeseen and negative incidents, which may threaten the company reputation (Vaaland and Heide, 2005). However, if a CSR critical incident is not handled properly from the stakeholder point of view, it may jeopardize and could ultimately cause serious harm to the reputation of the firm (Vaaland and Heide, 2005). And in the opposite case, if the critical incident is handled skillfully, the potential loss of company reputation could be minimized and possibly recovered after short time. Thus, it can be argued that CSR should be managed along two dimensions: CSR enforcement and CSR recovery (Vaaland and Heide, 2005; Whiteman *et al.*, 2005). These dimensions also reflect the dynamic properties of CSR, where a negative incident affects and is affected by the initial level of CSR.

The aim of this paper is to identify and suggest solutions to two challenges that companies frequently face in relation to CSR management. First, since CSR implies developing and maintaining relationships with society, CSR should be managed as interplay between actors, activities and resources. Second, since the significance of critical incidents is dependent on prevailing level of CSR, management of CSR requires capability to handle both the unexpected incident and long-term reductions of gaps between stakeholders' expectations and company performance. The paper is organized in the following sections. We start with a discussion of the conceptual meaning and basic elements of CSR and continue with the methodology and case description. The subsequent section includes analysis and findings. Based on a discussion of main findings we outline a conceptual model for understanding and managing CSR before concluding the paper with managerial implications, and concluding remarks.

The concept and meaning of CSR

The concept of CSR is blurred and fuzzy (Lantos, 2001). The definition and dimensions of CSR vary and consequently that is no clear consensus on what is meant by CSR (Carrigan and Attalla, 2001). The different conceptual entities restrict comparison and integration of definitions. Whereas some scholars focus on businesses as general, others apply the individual firm or the decision maker as unit of analysis. Some are normative while others hold an instrumental perspective focusing on benefits (Maignan and Ferrell, 2004).

The CSR construct embraces two dimensions of decision making, responsible and irresponsible acts. The seminal work of Armstrong (1977) introduces "social irresponsibility" as a more useful mode of addressing "social responsibility". The vast majority of studies, however, apply CSR in addressing both responsibility and its negation. The CSR construct includes at least three thematic areas regarding the relationship between the company and the society: how the conduct of business reflects ethical considerations, how the business operations affect the environment, and finally, the extent to which the operations interfere with established social and human rights (Vaaland and Heide, 2005).

One of the main issues behind CSR is to handle the company's relationships with society in such a way that the positive public image of the company is maintained or enforced. Ackerman (1975) argues that three features characterize a socially responsive firm:

(1) capacity to monitor and assess environmental conditions;
(2) capability to attend to the many demands of numerous stakeholders; and
(3) competence in design and implementation of plans and policies to respond to changing conditions.

By inspecting the variety of CSR definitions we observe emphasis on; first, corporate benefit (Lantos, 2002), second, stakeholders (Donaldson and Preston, 1995; Jones, 1995; Wood and Jones, 1995), third, concern for both responsible and irresponsible acts (Armstrong, 1977), fourth, ethical, environmental and social phenomena (Vaaland and Heide, 2005). Based on these characteristics, we will apply the following definition: "Corporate social responsibility is management of stakeholder concern for responsible and irresponsible acts related to environmental, ethical and social phenomena in a way that creates corporate benefit" (Vaaland *et al.*, n.d.).

The basic elements of CSR

CSR critical incidents

Socially irresponsible acts (Armstrong, 1977) by companies are frequently displayed on the front page of newspapers, sometimes with detrimental implications for the reputation of the firm. In our view, the force of a CSR critical incident will be determined by the magnitude of the incident and the degree of discreteness. Incidents that are major (i.e. high magnitude) and occur suddenly (i.e. high degree of discreteness) will generally be perceived as significant incidents (Vaaland and Heide, 2005). An analogy is found in the law of physics where the momentum of a moving object is dependent upon two variables: mass and velocity.

When a sudden, large environmental disaster occurs and the blame is placed on the company, like for example the case of the giant oil spill of Exxon Valdez (Vaaland and Heide, 2005), there is very little the company can do to change the course of the incident. To use the analogy from physics, it is difficult to change the direction of a heavy object that is traveling with great speed. The Exxon Valdez disaster happened in 1989, when one of the vessels belonging to Exxon Shipping Company, hit the ground at the Prince William Sound in Alaska and spilled 38,800 metric tons of crude oil into the ocean. The timing of the spill, the remoteness of the location, which includes thousands of miles of rugged and wild shoreline, and the rich wildlife, rapidly turned the accident into an environmental disaster.

In cases where incidents develop more slowly, there is far more room for maneuvering. An example of such an incident is the oil company total's operations in Burma, which are conducted on behalf of a military regime blamed for systematic breach of human rights (Vaaland and Heide, 2005). There is no independent judiciary in Burma and political opposition to the military government is not tolerated. The international community has repeatedly expressed great concern about the situation and total's involvement in oil exploration and exploitation has been surrounded by controversy for more than a decade. However, criticism from NGOs and media is constantly counterbalanced by communication from total that highlights the importance of maintaining a presence in the country.

CSR implies relationship management both in a crisis perspective and in the day-to-day operations. According to the industrial network theory (Håkansson and Snehota, 1995) relationships can be described along three dimensions, actors, resources and activities. In this perspective, CSR is viewed as managing the relationship between actors (e.g. key stakeholders), activities (e.g. actions to handle a CSR critical incident) and resources (e.g. internal ethical guidelines).

Actors

The applied definition of CSR presupposes the existence of stakeholders. In a stakeholder perspective, CSR implies that the firm has an obligation towards its stakeholders, who can affect or are affected by corporate politics and practices (Bloom and Gundlach, 2000; Lantos, 2001). The fit between company performance and stakeholders' values is important because stakeholders who disagree with the firm's course of action may have the power to replace management, or at least hamper the execution of corporate strategy (Brammer and Pavelin, 2004). Since stakeholders are expected to have diverse preferences regarding company actions, processes and outcomes (Fombrun and Shanley, 1990), it is a basic challenge to manage and balance the multitude of stakeholder expectations and their conflicting values (Nill and Shultz, 1997). This implies that the agendas and expectations of stakeholders need to be identified in order to actively manage and sustain proper differentiation between them (Knox and Maklan, 2004).

Organized stakeholder groups have an opportunity to address gaps between the stakeholders' goals and values and actual company behavior, for example by making the company aware of dubious incidents ranging from corruption, workplace harassment to environmental offences. Several companies have developed information channels to facilitate the flow of information from stakeholders, to identify unethical behavior or more general lack of social responsibility in relation to business operations. Examples include telephone hotlines or cyber-hotlines where company employees (or others) are encouraged to alert anonymously about waste, and mismanagement (www.nasa web, 2007), or fraud and corruption (www.worldbank web, 2007).

Activities

Activities aimed at meeting the expectations of stakeholders constitute a significant part of a stakeholder orientation (Maignan and Ferrell, 2004) and can be considered imperative to secure stakeholders' continued support and corporate reputation (Maignan *et al.*, 2005). Such activities can be directed towards working conditions, safety, social development and human rights, ethical conduct in business practice or environmental impact of business operations. The role of these activities is to improve corporate image and increase motivation and loyalty primarily among employees and customers, but also amongst other stakeholders such as suppliers and retailers (Lantos, 2002). Consequently, it is important that activities are well connected to both stakeholder interests and to the normal operations of the firm. Several studies (Creyer and Ross, 1997; Maignan *et al.*, 1999; Barone *et al.*, 2000; Sen and Bhattacharya, 2001) support the assumption of a positive market effect from CSR activities. To serve its objective, the management system should therefore match company activities with stakeholder expectations, and vice versa.

Resources

Activities to sustain CSR require resources and tools. These are designed to support, measure, assist in implementation, and enhance accountability for corporate performance on CSR issues. Competence is crucial to establish the balance between stakeholder goals and company objectives, which is needed to sustain CSR. But there are also other important resources such as written predetermined descriptions of proper patterns of company behavior. This comprises the firm's own ethical standards, corporate governance guidelines (Loe *et al.*, 2000), codes of conduct (Pater and van Gils, 2003), management training programs and internal control systems (Norris and O'Dwyer, 2004) that safeguard and promote "socially responsible" decisions. The range of available external resources include law, provisions and court decisions, external codes, standards, indicators and guidelines produced for business by governmental, non-governmental, advocacy and other types of organizations.

Openness and accountability are essential to earn the trust of employees and external stakeholders (Rondinelli and Berry, 2000), and CSR implies that social performance (both successes and failures), are communicated to society in a transparent manner. In the past few years there has been a resurgence of interest in social corporate and ethical performance, auditing and reporting (Norris and O'Dwyer, 2004). Whereas some CSR specific information is forwarded to specific stakeholder groups, the multitude of other stakeholders (e.g. individual shareholders) has to be accessed by means of performance reports. Measurements, auditing and reporting are therefore tools to strengthen internal efforts to comply with the company's CSR policy and thereby build trust with external stakeholders. The number of firms engaged in social reporting is increasing, as is the average length of these reports (Knox and Maklan, 2004). This interest is reflected in a variety of initiatives ranging from specific accountability and reporting standards (e.g. *AccountAbility* and *The Global Reporting Initiative*), to guidelines and principles for an ethical and responsible corporate behavior (e.g. *United Nations Global Impact*).

Methodology

Data collection

As mentioned, the objective of this paper is to identify and suggest solutions to challenges that companies face in relation to CSR management. The oil and gas industry was selected as context for our empirical investigation. The choice of context is grounded on this industry's highly international orientation and our access to rich and comprehensive open empirical sources. We apply a case study methodology. An explorative design was selected primarily because the role of critical incidents dynamics in a CSR context has only been sparsely investigated before (Ghauri *et al.*, 1995). Data were collected through secondary sources including web sites and electronic press archives to investigation reports. We also consulted key-informants in the oil-industry who had inside knowledge about the case employed in our study. The informants also critically assessed the accuracy of our findings and thus contributed to validation of results.

Case description

Statoil, which was established by the Norwegian government in 1972, has grown to become one of Europe's leading oil and gas companies. The company is operator for 60 percent of all Norwegian oil and gas production, and its international production is rising steeply. As per date, Statoil has more than 25,000 employees and activities in 33 countries.

In December 2006, Statoil announced plans to merge with Hydro (the second largest oil company in Norway) primarily to strengthen the international operations.

Iran was one of Statoil's international priority areas, which included business relationships with the National Iranian Oil Company regarding exploration, enhanced oil extraction from old fields, and technology development. In order to further strengthen their operations in Iran, Statoil entered a consultancy agreement in 2002 with the Iranian-based company Horton Investment with the purpose of accessing vital information regarding future oil and gas projects. One of the main actors in this company, Mehdi Hashemi Rafsanjani, is amongst others, the Chairman of the National Oil Company, and the son of the former Iranian president. Members of the Rafsanjani family have been accused of several corruption cases.

The agreement, with a total value of US$18 million over ten years, was later re-evaluated and found to be in conflict with Statoil's own ethical rules and in violating the Norwegian anti-corruption law. Both internal auditors of Statoil and the internal security department warned the CEO about the irregularities. However, the CEO ignored the warnings. The chairman of the board was informed but failed to take action. The incident accelerated when the leading business newspaper in Norway publicized the story. Shortly afterwards the vice-president for international operations was forced to leave the company. The Board then fired the CEO and finally the chairman of the board resigned.

Statoil was further investigated and found guilty of breaking the anti-corruption law of Norway and in USA. In October 2006, the company announced that it had reached agreement with the Securities and Exchange Commission and Department of Justice (Statoil web, 2006) to settle the Horton matter under US law. The agreement implies that Statoil has accepted a penalty of US$10.5 million for having violated the US Foreign Corrupt Practices Act, and responsibility for bribery, by making payments to an Iranian official in order to induce him to use his influence to obtain the award to Statoil of a contract. Statoil has also acknowledged responsibility for accounting for those payments improperly in its books and records, and for having insufficient internal controls in place to prevent the payments.

Analysis and findings

In the following the case will be analyzed in relation to the basic elements of CSR, which were discussed above. The elements will be empirically grounded and expanded by means of the case. Furthermore, we will specifically address the interrelatedness of the elements.

CSR critical incident

Statoil enters the agreement with an Iranian-based consultant firm involving public officers to access information on new oil and gas opportunities in Iran. The CEO ignores the warnings from two internal audit units, and refuses to terminate the contract. The incident is leaked to the press by internal whistleblowers. The leading Norwegian business newspaper publishes the case and indicates corruption. The fact that Statoil enters a dubious consultancy agreement is perhaps not a very significant episode *per se*. The real problems occur as follow-up incidents, when the CEO of Statoil in fact chooses to ignore the warnings from the internal auditors. It thus seems that the "owner" of the incident played a significant role in the further escalation.

The Statoil HQ did this by first denying the existence of the dubious agreement, then explaining the rationale behind it before entering a "no-corruption-here" communication strategy. Thus, in cases like these it is likely that the "owner" of the incident may risk becoming the most influential driver by unwise handling of the incident and other drivers.

However, at a later stage the incident also provided learning benefits and became a catalyst for further development of internal standards and reporting systems, both through public reporting and through securing that information from future whistleblowers will be handled anonymously. The significance of the incident (and follow-up incidents) can be explained by the strong interrelatedness between the incident and other actors (i.e. stakeholder groups and individual whistleblowers), activities to reduce stakeholder gaps and resources (e.g. ethical guidelines, etc.).

Actors

The incident triggered several stakeholder groups, who became increasingly concerned with the developments of the case. The list of relevant stakeholders included employee groups, the media, police authorities, foreign public actors such as the US Security Exchange Commission (breach of ethical codes), the Department of Justice (violation of the US Foreign Corrupt Practices Act), Swiss authorities (money laundering), Iranian authorities (for bribery of public officials) and watch-dog NGO's such as Transparency International. Media was a key stakeholder in the Statoil case, not only in exposing and covering the incident but also as an actor, which increased the significance of the episode. Without the initial cover story in the leading Norwegian business newspaper, no other media drivers would join in, nor would the Business Crime Unit of the Norwegian Police have taken action.

The number of relevant stakeholder was not fixed or stable. New stakeholder groups continuously joined the case as the episode escalated, which again further activated additional stakeholders to join. For example, internal sub-units triggered management, which triggered whistleblowers, which triggered press, which triggered police, which triggered regulatory bodies and the judiciary and so forth.

Statoil tried to reduce the magnitude of the incident by changing communication strategy, by initiating actions to reduce stakeholder gaps (e.g. dismissal of top-management and resignation of board chairman), through improved resources (e.g. new ethical guidelines that were introduced as a result of the incident) and by launching a new system to secure and protect internal whistleblowers.

Activities

In order to meet the stakeholder expectations several activities were initiated including cancellation of the Horton agreement. The CEO fires the VP-International Operations. The board fires the CEO. The chairman of the board resigns. Following the incident, Statoil assigned external auditors to review all agreements in search for corruption/bribery, and a new four-point plan to reduce the risk of new dubious contracts was introduced.

The activities to close the stakeholder gaps were partly based on direct stakeholder initiatives (e.g. media demanding the dismissal of the CEO) and partly on perceived stakeholder attitudes (e.g. initiating investigation). Furthermore, the activities had implications for the resources by introducing new internal tools such as the four-point plan aimed at re-establishing ethical reputation. The activities most likely also reduced the long-term implications of the incident by demonstrating responsiveness to society and general responsibility.

Resources

Statoil's internal ethical rules and guidelines, which are aimed at preventing questionable behavior, were strengthened after the Horton case. Similarly, the company's managers are now being trained in handling ethical aspects in connection with foreign oil and gas field development projects.

By adding resources (both systems and knowledge) the level of CSR has changed in two ways. First, the threshold for what is being considered as acceptable behavior has been lowered, which means that it takes less before an issue is considered potentially problematic and handled accordingly. Second, the number of incidents has been reduced due to changes in patterns of corporate behavior caused by, for example, ethical training programs (Statoil web, 2007). The company's communication strategy in relation to the Horton case proved to be difficult, especially because the incident constituted a breach of a cornerstone among the corporate values, business ethics. For Statoil, communication became a difficult balancing act between honesty and the risk of further escalating the case. The company's communication professionals knew that hiding unfortunate information would sooner or later be disclosed. On the other hand, providing too much detailed information would easily be perceived as admitting guilt and subsequently exposing the company to legal sanctions.

Investments of resources to improve CSR are reflected in Statoil's sustainability reports, which if acknowledged by stakeholder groups contribute to close the gaps between stakeholder expectations and company behavior. The Horton incident was acknowledged by the company and shared with society through Statoil's sustainability report. Furthermore, the Horton Case Investigation Report was also made available on the company's web site. Information related to Statoil's CSR position was thus shared with society in a more general form than would be the case if targeted stakeholder communication was used as the only channel.

When Statoil introduced the corporate sustainability report a few years ago, the company also made an implicit commitment to strengthen the focus on environment, social/human rights and ethics in its international operations. This implies a commitment to develop internal routines, policies and standards, which again bridge gaps between stakeholder expectations and corporate performance. In a long-term perspective the disclosure of the Horton report and the openness of the company that developed after some time, contributed to reduce the negative impact of the incident.

Following the Horton incident, Statoil introduced an employee hotline where any employee anonymously can report unethical behavior and other types of negative conduct related to CSR. Whereas whistle-blowers in the Horton case considered leakages to public media as their only option, the hotline can be an important tool for channeling crucial information directly to top management. Such systems can be important complementary sources to the more organized stakeholder communication channels. Frequently, the most devastating information is found among employees, who can have many reasons for not following the hierarchical communication lines.

Discussion

The Statoil Horton-case demonstrates strong interrelatedness between actors, activities and resources (Håkansson and Snehota, 1995). The case also illustrates that this interrelatedness is not always fully understood and acted upon, even in large and professional oil companies. By failing to identify all relevant stakeholders (actors) and take their concerns into account, an incident that was completely manageable in the start, soon spiraled out of control. The initial failure to tackle the issue properly triggered the interest of an ever-increasing number of stakeholder groups, which became involved in the case and created further difficulties for the company. The demands of the stakeholders could ultimately only be met through company action such as termination of the dubious agreement, dismissal of senior management and resignation of the chairman of the board (activities). The resource dimension is also crucial for understanding the dynamics of the case. Without the prior existence of ethical guidelines and policies (resources) the ability of the company to reduce the significance of the incident would be limited. Significant investments in CSR (e.g. ethical rules of conduct, inspection schemes, reporting routines, management training, etc.) take time to develop and implement, and there can be substantial time lags before these investments start paying-off (i.e. in terms of improved CSR Enforcement). Thus, in this respect there are clear similarities between safety preparedness and CSR management. The capacity to prevent and respond to incidents regarding safety is built in quiet times, not during a disaster. Similarly, with CSR it is too late to think about CSR responsiveness after the CSR critical incident has occurred. Without company activities, the gap between stakeholders' expectations and the company operations will increase and weaken the perceptions of that company's social responsibility (Lantos, 2001). But activities presuppose resources, and lack of resources can reduce the ability to actually carry out and implement activities, such as new ethical standards, management training programs, sustainability reports, etc. Furthermore, an inadequate understanding of the actors (i.e. the most significant stakeholders) can easily result in the company selecting the "wrong type" of activities, i.e. actions that only have a marginal effect on CSR. Summing up, the case clearly indicates that managing CSR requires that activities, actors and resources should be considered interdependently, whether related to enforcing existing CSR or handling a specific and sudden incident.

The Statoil case was triggered by one specific incident. This incident quickly emerged as a sudden direct threat to the company, but also became an indirect threat to the existing level of CSR of the firm. On the other hand, the relatively good initial reputation of Statoil among stakeholders also functioned as a damper to the incident, and thus helped reduce the significance. The incident thus affected the existing level of CSR, which again affected the actor's perception of the incident. The company reputation can be enforced so that it indirectly affects the significance of current and future incidents. In the Statoil case, the CEO and chairman of the board were removed (which also had been done on two occasions years earlier, after stakeholders had seriously questioned the behavior of top management and board). The historical pattern of behavior and sensitivity to society when facing a crisis represents a reputational reserve for Statoil, which made it easier to handle the new incident (i.e. the Horton case) and recover from it. The way an incident is handled also affects the company's reputation, either by enforcing or by reducing the present state of CSR.

The described interrelatedness further implies that the company faces two sets of challenges in terms of sustaining CSR: first, to handle the incident and diminishing the negative effect (i.e. the short-term perspective), and second, to enforce CSR, and thereby the company reputation (i.e. the long-term perspective).

This interrelatedness between:

- actors, activities and resources; and
- the interrelatedness of the incident (handled through critical incident recovery), and existing level of CSR (handled through CSR enforcement) can be conceptualized in the model shown in Figure 1.

The model suggests that regardless of whether CSR is approached as a short-term or a long-term challenge, a thorough understanding of actors, activities and resources is necessary. Furthermore, recovery and enforcement can be considered two sides of the same coin.

Managerial implications

Based on the findings we will highlight seven managerial implications. First, when potentially critical incidents arise, always allow the internal tools to function as intended. In the Statoil case the internal tools discovered the irregularities and both the CEO and the chairman of the board were warned. Had only one of them responded, the critical incident would have been averted. However, the double failure to respond, allowed the episode to develop into a major critical incident.

Second, ensure that confidential information channels exist to ensure that crucial information reaches the top. In the Horton-case, the problem was mainly related to the inaction of top-management rather than lack of information. However, in other cases confidential information channels will make available a way for concerned staff-members inform top-management in confidence and thereby provide an alternative to leaking the information to the public media.

Third, be aware that even the smallest ethical firecracker has the potential to develop into a corporate reputational bomb. Statoil's initial strategy to downplay the

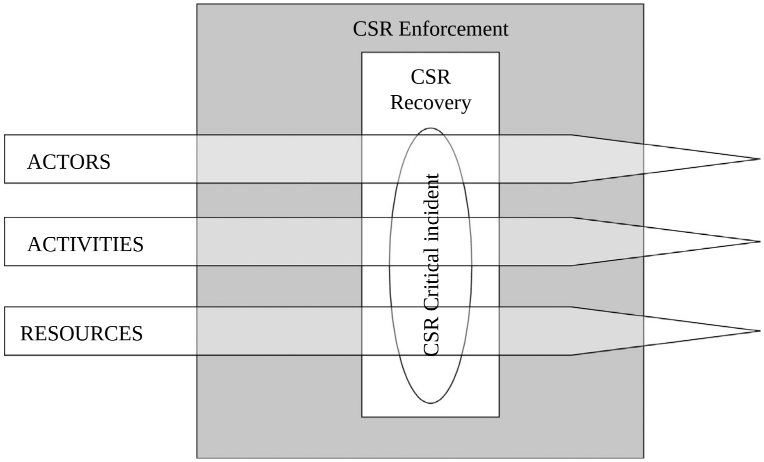

Figure 1.
CSR management: resources, activities and actors

seriousness of the case backfired and triggered the interest of the media instead. Consequently, a CSR incident of manageable proportions was magnified by the critical press and spun out of control.

Fourth, when it is unavoidable that the incident will appear in the public domain, be selective when you decide on who should break the story. The company's media department may collaborate with certain members of the press to ensure early publication of the story in a less hostile manner than would be the case if a more critical newspaper uncovered the story at a later stage. Such a proactive media strategy may be beneficial to defuse the impact of a potentially damaging incident.

Fifth, CSR management requires a system for identifying the most significant stakeholders (actors) and their expectations. The company needs to be able to distinguish and critically assess the strategic importance and realism of the stakeholder expectations. In this context, one should keep in mind that not all stakeholders have legitimate goals.

Sixth, resources, such as sustainability reports, ethical guidelines and management control systems, should be developed based on input from significant stakeholders (including whistleblowers) and as learning benefits from past CSR incidents.

Seventh, investments to enforce CSR require attention to both the long-term building of company reputation (i.e. CSR fundament) and the ability to handle unexpected CSR incidents in a systematic and professional manner.

Concluding remarks

Case studies such ours have two essential drawbacks (Ghauri *et al.*, 1995). Most of the evidence is based on qualitative data derived from secondary data sources, which implies that some relevant data for the study may not be included in the analysis. In our study, we have tried to compensate for this limitation by supplementing and validating the data from secondary sources with input from key-informants. The second drawback is that by focusing on one sector only, the findings are strictly speaking only valid for that specific sector and cannot automatically be generalized beyond the oil industry.

CSR critical incidents tend to be traumatic for those who are directly involved and are not particularly pleasant for the rest of society either. However, it is important to keep in mind that even negative incidents may have positive consequences in the form of self-examination, system improvements and not least learning. The important question is whether companies can learn from the mistake of others, improve their own organizations and develop internal tools that can prevent and if needed disarm CSR incidents before they develop into reputational catastrophes.

Based on the findings in the Horton case in Statoil, we have argued that management of the relationship between the company and society requires awareness of the interplay between actors (i.e. stakeholders), activities (to reduce company-stakeholder gaps) and resources (e.g. internal rules, monitoring and reporting systems, etc.). The three elements are interrelated and must be systematically developed and managed. Furthermore, managing CSR implies that incident recovery and long-term enforcement of CSR are interrelated processes that should never be treated separately.

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