# Host Community's Satisfaction of Employment Opportunities and Development Projects Provided by Oil Companies: Case Study of Total Company Block(10) Yemen

**Omar Ali Khateeb**
Maastricht School of Management, Netherland
email id: omarakhateeb@hotmail.com

**Fahmi Shaaban Fararah**[*]
Seiyun Community College, Hadhramout, Yemen
email id: kuinfahmi@gmail.com

[*]Corresponding author

*Abstract* – **This study aims to examine the relationship between employment opportunities and development projects provided by oil companies and the satisfaction of their host communities. The employment opportunities and development projects are among the benefit that oil multinational companies offered to host communities. These social benefits play an important role in the natural of the relation between multinational oil companies and their host communities. To examine the effect of these social efforts on the satisfaction of the host communities in Yemen, this study was designed and employing the survey questionnaire research design. Out of 270 questionnaires distributed, 215 questionnaires were returned and only 210 questionnaires were used for the analysis. Employing PLS SEM approach to examine the model, the statistical results was supported the effect of employment opportunities and development projects on the satisfaction of host communities.**

*Keywords* — **Employment Opportunities, Development Projects, Pls, Oil Host Community, Yemen.**

## I. INTRODUCTION

The oil industry is one of leading industries in adapting social activities because the negative impact of oil exploration and exploitation such as oil spill and air pollution [9]. Moreover, people demand social efforts from oil companies more than other industrial sectors because of the harm results from oil operations[9].

Interestingly, the relationship between the community and the business is based on mutual beneficial relationship [6]. In addition, [17] confirmed that the relationship between the multinational oil companies and host communities have influenced by corporation efforts to reduce the bad effect of oil exploitation. Although the oil companies have spent a lot of money through developing the host community, the tangible benefit for local people was few [9].

Furthermore, there are many reasons encourage oil companies to invest in social activities in host communities. [14[asserted that host community should benefit from the wealth that found in their land. [12]Believed oil-producing companies have huge resource as a result they have to participate in developing the host communities. Too, [23] Stated the oil exploitation activities pollute the host communities; as a result, people have the right to demand the oil companies to execute social projects. [13] added that the negative impact of oil operation activities have destroyed the oil companies' reputations and have reduced the profit because of increasing the oil activities cost.

However, the benefits delivered by oil companies to host community have not sought the community development, but to obtain the social license. [5] Claimed the social license is important for companies as the governmental license. Moreover, Multinational oil companies have realized that their long-term benefit will be through paying more concern to host community needs and expectations [19]. [24] Agreed that oil company reputation have improved by the social projects delivered by company. For example, Shell Company realized the importance of building good reputation to strengthen the relationship with host community through investing in social actions [19].

## II. EMPLOYMENT OPPORTUNITIES

According to [9], International oil companies have built good relationships with host community by investing in the development of local workforce's skills by providing educational programs for youth in host community. Oil companies have funded youth employment programs in developing countries [19]. In addition, [15] found that multinational oil corporations have solved partly the unemployment problems in the host community through providing employment opportunities for residents. Oil companies` efforts such as employment opportunities for community's individuals can perform a critical role in maintaining the peaceful relationship between them [25] On the other hand, host community demands the multinational companies to employ people from the local communities where the company operates [20].[3] Emphasized that the oil companies should create jobs for unskilled workers in oil host communities because employment opportunities increase the income of people of the oil host community

## III. DEVELOPMENT PROJECTS

According to [9], International [9] Confirmed that oil companies have contributed to community development by financing many development projects such as school, hospital. Oil companies have delivered development projects such as hospital, roads, schools and scholarships to improve the satisfaction of host communities. Specifically, most of oil producing communities has lived in poor infrastructure area and the oil companies' efforts

have not been affective in developing countries [7].

Moreover, [12] indicated that the obligation of oil corporations to develop host community dues to the oil exploration and exploitation have negative impact on the people who live in these communities. [22] Stated even though the development community operation is the task of government, the governments of developing countries have less ability to develop their communities. Therefore, oil companies especially that operate in developing countries, have faced huge pressure to invest in social development to improve the weak infrastructure [19].

During oil operations especially in exploration and production stages, oil companies need to invest in host community development to facilitate its oil operations [9].

Moreover, [18] found that people in host community have expected oil companies to participate in developing the community's infrastructures and to diminish the negative impact of oil exploitation on the environment. Oil multinational companies also can ensure attractive relationship with host communities by effective development programs [21]. Providing oil host communities with development projects such as water, electricity, education and healthcare have helped building peaceful relationship between oil communities and oil companies [3].

*Framework And Hypothesis Development*

Based on the literature review discussed in this study, the model proposed for test in this study is presented in the following graph.
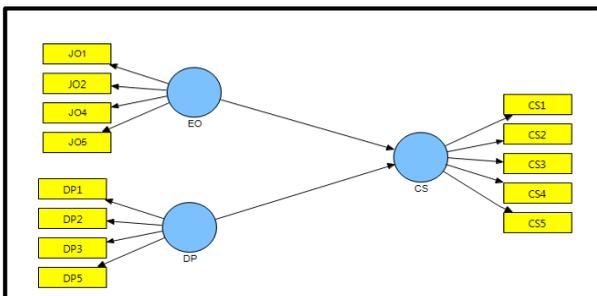


EO: Employment Opportunities
DP: Development Projects
CS: Communities Satisfaction
Fig. 1. Theoretical Framework

More specifically, in the light of the above framework and reported literature review, this study examined the following hypothesis:

*H1:There is a significant relationship between Employment Opportunities provided by Oil Company and the satisfaction of its host communities.*

*H2:There is a significant relationship between Development Projects provided by Oil Company and the satisfaction of its host communities.*

## IV. MEASUREMENTS AND INSTRUMENTATION

The measurement of host community's satisfaction was derived from previous studies. Specifically, the measurement items employed in this study were taken from [2] – [16]. Moreover, the measurements of the employment

opportunities were derived from the previous studies. Specifically, the measurements employed in this study were taken from [1] – [2] – [10]. The measurements of development projects were adopted from the previous studies. Particularly, the measurements employed in this study were taken from [2].

## V. POPULATION AND SAMPLING

Since this study examined the effect of employment opportunities and development projects provided by oil companies of host communities' satisfaction in Yemen. The population of this study consisted of all the residents in five host communities of TOTAL Company. Through a self-administered questionnaire, the data were collected from people who living in (Albelad, Al-Khameera, Gheel Omer, Al-Dhbeaha and Sakdan) in Sah district of Hadram out governorate Yemen. Out of 270 questionnaires distributed, 215 questionnaires were returned and only 210 questionnaires were used for analysis. Moreover, every individual in host community will be a unit of analysis.

## VI. STATISTICAL ANALYSIS AND FINDINGS

By using partial least squares structural equation modeling (PLS-SEM), the measurement model was estimated. Similarity, to identify the model's goodness of fit some measurements have been ascertained. Construct validity, factor loading, convergence validity, Cronbach's alpha and composite reliability were confirmed. Next, discriminate validity was ascertained. Figure (1) shows the research model with its structural dimensions.

## VII. CONSTRUCT VALIDITY OF THE MEASUREMENTS

According [11] the construct validity is the degree to which the items design to measures a construct what it claims to measure. To confirm construct validity, the items generated to measure a construct should load higher than their loadings on other constructs. After reviewing the prvious studies, this study employed the items that have been used in relavent researches. In this study the factor analysis revaeled that these items, compared with other constructs, were high loadings on their constructs,that the Construct validity is confirmed. Table (1)shows the Factor Analysis and Cross Loading.

**Table 1:** Loading and Cross-Loadings of the items

| Constructs | Items | CS | DP | EO |
|---|---|---|---|---|
| Communities Satisfaction | CS1 | **0.790** | 0.466 | 0.448 |
| | CS2 | **0.753** | 0.467 | 0.362 |
| | CS3 | **0.688** | 0.411 | 0.266 |
| | CS4 | **0.804** | 0.531 | 0.389 |
| | CS5 | **0.778** | 0.476 | 0.449 |
| Development Projects | DP1 | 0.590 | **0.829** | 0.486 |
| | DP2 | 0.440 | **0.780** | 0.404 |
| | DP3 | 0.329 | **0.651** | 0.400 |
| | DP5 | 0.389 | **0.644** | 0.302 |
| Employment Opportunities | JO1 | 0.452 | 0.455 | **0.814** |
| | JO2 | 0.408 | 0.493 | **0.800** |
| | JO4 | 0.286 | 0.244 | **0.626** |
| | JO5 | 0.341 | 0.414 | **0.731** |

## VIII. THE CONVERGENT VALIDITY

According to some researches such as [11] – [8], the recommended value of composite reliability is 0.7 and average variances extracted is 0.5. On the other hand, [4] suggested that the average variances extracted (AVE) values could indicate to construct validity of the measures used. The result of this study indicates that the values are more than 0.5, which means that convergent validity of the outer model is ascertained. The results are showed below in table (2).

**Table 2:** Convergent Validity Analysis

| Constructs | Items | Loading | Cronbachs Alpha | Composite Reliability | AVE |
|---|---|---|---|---|---|
| Communities Satisfaction | CS 1 | 0.790 | 0.821 | 0.875 | 0.583 |
| | CS 2 | 0.753 | | | |
| | CS 3 | 0.688 | | | |
| | CS 4 | 0.804 | | | |
| | CS 5 | 0.778 | | | |
| Development Projects | DP 1 | 0.829 | 0.709 | 0.819 | 0.533 |
| | DP 2 | 0.780 | | | |
| | DP 3 | 0.651 | | | |
| | DP 5 | 0.644 | | | |
| Employment Opportunities | JO 1 | 0.814 | 0.735 | 0.833 | 0.557 |
| | JO 2 | 0.800 | | | |
| | JO 4 | 0.626 | | | |
| | JO 5 | 0.731 | | | |

a: CR = $(\Sigma$ factor loading$)^2$ / $\{(\Sigma$ factor loading$)^2) + \Sigma$ (variance of error)$\}$

b: AVE = $\Sigma$ (factor loading$)^2$ / ($\Sigma$ (factor loading$)^2 + \Sigma$ (variance of error)$)$

## IX. THE DISCRIMINATE VALIDITY

For mesuring the discrimianat validity, the method of he square root of average variance extracted (AVE)was sued [8].All the constructs were put at the diagonal elements of the correlation matrix as shown in Table 3. The discriminant validity of the measures was verified because the diagonal items were higher than the other items of the row and column in which they were located. Consequently, achivieing the construct validity of the outer model indicates the hypotheses testing was valid and reliable.

**Table 3:** Correlations and Discriminate Validity

| Constructs | CS | DP | EO |
|---|---|---|---|
| Communities Satisfaction | **0.764** | | |
| Development Projects | 0.618 | **0.730** | |
| Employment Opportunities | 0.507 | 0.550 | **0.746** |

## X. PREDICTIVE RELEVANCE OF THE MODEL

Result pertaining to the predictive quality of the model is illustrated in Table 5, which indicated that the cross-validated redundancy of Host Communities Satisfaction was 0.583and the cross-validated commonality was 0.212.

These values were more than zero, indicating an adequate predictive validity of the model based on the criteria suggested by [8].

**Table 4:** Prediction Relevance of the Model

| Endogenous | R Square | Cross-Validated Redundancy | Cross-Validated Communality |
|---|---|---|---|
| Communities Satisfaction | 0.4216 | 0.583 | 0.212 |

## XI. THE STRUCTURAL MODEL AND HYPOTHESIS TESTING

After the construct validity and reliability have been ascertained and for examining the hypothesized relationship among the constructs, the research used the bootstrapping techniques in SmartPLS2.0 to investigate if the path coefficients were significant or not. The result of path coefficient was revealed as shown in Figure (4) and Figure (4).
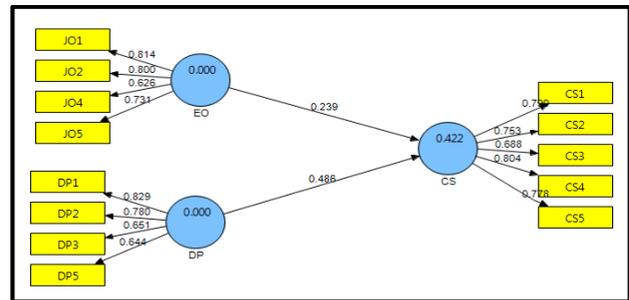


EO: Employment Opportunities, DP: Development Projects
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Fig. 2. Path Coefficient Results
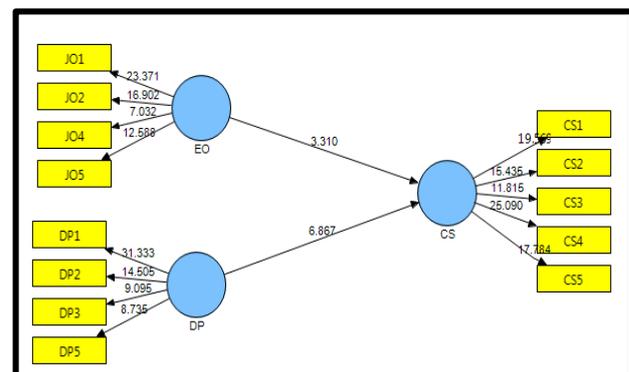


EO: Employment Opportunities, DP: Development Projects
CS: Communities Satisfaction
Fig. 3. Path Coefficients T values

**Table 5:** The Results of the Hypothesis Testing

| Hypothesis | Path Coefficient | Standard Error (STERR) | T. value | P. value | Decision |
|---|---|---|---|---|---|
| **EO -> CS** | 0.180 | 0.073 | 2.470 | 0.000 | Supported |
| **DP -> CS** | 0.333 | 0.094 | 3.541 | 0.000 | Supported |

***:p<0.001;**:p<0.01

As illustrated in Figures (2), (3) and Table (5)employment opportunities has a positive and significant effect on the host communities satisfaction at the 0.001 level of significance ($\beta$= 0.180, t= 2.470, p>0.1). Moreover, result showed that development projects has a positive effect and significant impact on community's satisfaction($\beta$ = 0.333, t = 3.541, p< 0.01).

## XII. DISCUSSION AND CONCLUSIONS

The result in table (5) at the 0.01 level of significance ($\beta$= 0.180, t=2.470, p<0.01) supported that there is a relationship between employment opportunities provided by the company and host communities satisfaction .This result revealed that employment opportunity is one of the most significant component for increasing the host community's satisfaction. This result is in line with the finding of previous studies that show employment opportunities come first in host communities' preferences. The employment opportunities are on the top priorities of host communities. The reason of the high priorities of employment opportunities for host communities is increasing unemployment in the host community and the desire of people to take advantage of the high pay jobs.

Furthermore, the result showed in Table (5), at the 0.01 level of significance ($\beta$= 0.333, t=3.541, p<0.01) supported that there is a positive relationship between development projects provided by the company and the host community's satisfaction. According to the description of these findings, the people in host community feel satisfied when the company finances more development projects in host community. The study reveals that the oil company can contribute to infrastructure of host community and promote host community's satisfaction through providing development projects such as hospitals and schools, and electricity. On the other hand, although the company provided the region with some development projects to improve the community development and to build friendship relation with host community, the study shows that the level of satisfaction of host community towards infrastructure and development projects is low.

This study is one of the few studies were searched in the Republic of Yemen in the relationship between oil host communities and oil multinational companies and examining the effect of employment opportunities and development projects on the satisfaction of people live in host community. This study provides advantageous insights on how employment opportunities and development projects can enhance the overall satisfaction of host community. Therefore, the findings of this study can raise the awareness among the leaders of Yemeni Ministry of Oil and the administration of oil multinational companies on the factors influence the host community's satisfaction. This study deeply focused on the relationship between TOTAL Company and its host in block 10 in Hadramout governorate, Yemen. Therefore, further studies may study the mentioned relationship in this research in other oil blocks in different Yemeni governorates.

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## AUTHOR'S PROFILE

**Dr. Fahmi Shaaban Fararah**
Deputy Dean of Financial and Administrative Affairs at Seiyun Community College. Having a Doctorate of Philosophy in Islamic Banking and Finance from College University Insaniah Malaysia. Master of Business Administrative (MBA) area of Accounting form University Utara Malaysia and Bachelor Degree in Accounting from Hadhramout University for Science and Technology –Yemen. I am holder of Certified Management Accountant (CMA) Australia, I have good experience in data analysis by using Structural Equation Modeling Partial Least Squares - Smart-PLS and SPSS.

**Eng. Omar Ali Khateeb**
Manager of the exploration department in Hadhramout office, ministry of oil and minerals, Yemen. Master of Business Administrative (MBA) form Maastricht School of Management, Netherland and Bachelor degree in Geological Science (Applied Geophysics Department) from Damascus University, Syria. Diploma in English language, Bangalore – India.