

2A.VI Case story: Nexen's Yemen scholarship programme — Developing an educational legacy while promoting transparency and equal opportunity in a host country

Andrea Bosnjak* | Nexen

Nexen Inc. is a Canadian-based energy company that predicates its sustainability not only on profits and competitiveness but on its ability to grow value responsibly. Transparency, integrity and business ethics, safety and the environment, and people and partnerships are the values carried in parallel with delivering returns to shareholders. Nexen's operations in Yemen provide a strong example of the unique way this company does business in Canada and internationally. When it came to developing and implementing a post-secondary scholarship programme for Yemeni youth, these values were at the forefront in ensuring the delivery of a merit-based, equal opportunity initiative that would build a legacy of education and transparency. The following business case story illustrates the development and implementation of a scholarship programme in Yemen. It outlines the challenges and opportunities, and methodologies employed in advancing Nexen's corporate values cross-culturally, specifically as it relates to the United Nations Global Compact 10th Principle for business to promote transparency and combat corruption.

Corporate culture built on ethics and integrity

Originally formed in 1972 as Canadian Occidental Petroleum Ltd., Nexen explores for, develops, produces and mar-

kets crude oil and natural gas. Producing about 250,000 barrels of oil equivalent per day before royalties, its assets and long-term growth opportunities are positioned in the North Sea, deep-water Gulf of Mexico, the Athabasca oil sands of Alberta, offshore West Africa and Yemen. In 2004, it earned \$2 billion in cash flow and \$800 million in earnings.

Nexen's shareholders receive additional value through its leadership in ethics, integrity and sustainable business practices. The company has approximately 3,200 employees worldwide and requires that they conduct business according to principles of responsibility, honesty and reliability. In fact, each employee must undertake mandatory integrity training. This commitment has helped the company attract and retain high-calibre employees while building credibility in the communities in which it operates.

Nexen's commitment to operating with integrity became deeply rooted in the 1990s. One of its most significant accomplishments was helping develop the International Code of Ethics for Canadian Business in 1997. The Code was designed to provide a framework of values and principles with respect to community participation, environmental protection, human rights, business conduct (including principles related to anti-corruption), employee rights and safety. Through its involvement in this initiative, Nexen helped define benchmarks for the conduct of Ca-

*Manager, Yemen Scholarship Program

nadian companies operating globally and in turn set its course for further entrenching these values within its own corporate culture. Notably, several of Canada's leading companies from various sectors have either adopted the Code or used it as a template for developing their own.

Nexen's flagship operations in Yemen

In 1987, Nexen and its joint venture partners entered into a partnership with the Government of Yemen to develop the Masila Project (Block 14). Since first production in 1993, the Masila Block has been Nexen's most significant international project and accounted for nearly 30 per cent of the company's cash flow in 2004. Masila is also the largest oil project in Yemen, currently producing approximately 40 per cent of the country's total oil output.

The relationship Nexen has with the Yemeni people, from the highest levels of Government to residents in local communities, is critical to the company's success and sustainability in Yemen. Nexen is firmly committed to playing a role in Yemen's development. Through partnering with the Government of Yemen and the Yemeni people, the company is investing in the country's human resource potential, its physical infrastructure and progress.

Yemen provides an example of Nexen implementing transparent, ethical and sustainable business practices. For example, Nexen's localization programme to increase the percentage of Yemenis in the workforce seeks to enhance the professional development of Yemenis in the oil and gas industry, and specifically in Nexen's operations, through recruiting Yemenis and engaging them in a formal training and development programme. Today, Nexen's operations in Yemen are 73 per cent "Yemenized", with the proportion increasing on a yearly basis. Nexen also provides high-quality drinking water to local communities with previously unreliable water sources and operates medical clinics located at the Central Processing Facility and Terminal that are open to communities, treating up to 1,000 local residents and families monthly. Additionally, Nexen, the United Nations Development Pro-

gramme (UNDP), and the Government of Yemen agreed to jointly promote water management and sanitation in the Masila-Hadramout region in April 2004.

Initiation of a new community programme

In 1997, Nexen and its Masila Block partners—Occidental Petroleum and Consolidated Contractors Company—celebrated ten years of operations in Yemen by developing a scholarship programme directed in disciplines critical to the country's economic growth and development. It was originally envisioned that 20 Yemeni students would be given the opportunity to study at post-secondary institutions in Calgary, Canada. To date, Nexen and its partners have awarded scholarships to 70 deserving Yemeni students.

Nexen championed the effort to build a post-secondary scholarship programme to help improve the educational attainment for young Yemenis. According to the UNDP's Human Development Report for 2003, Yemen is one of the world's least developed countries. It was ranked 151 out of 177 countries on the UNDP's human development indices regarding health and longevity, education and quality of life. In terms of educational attainment, there is 72 per cent participation at the primary level and only 35 per cent at the secondary level.¹ Added to that are inequalities in education between males and females. According to 1999 statistics, only 35 per cent of females attain a primary education and 26 per cent complete the secondary level.² Given these figures, Nexen felt it could play a role both in increasing the educational attainment of Yemen's youth and in advancing female participation in education.

The first ten scholarships were awarded in 1998, with the students arriving in Calgary in 1999 to begin their studies. Each scholarship underwrites the completion of a four-year post-secondary degree programme and includes the provision of tuition, books, accommodation, meals, health care insurance, monthly living allowance and annual travel to Yemen. The value of each scholarship

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is approximately \$140,000 over a four-year period and each student is given the tools, resources and grounding for personal success in the programme.

From a macro perspective, the purpose of the scholarship programme as envisioned, and as implemented, was to create an education project that would leave a legacy in Yemen. A secondary, but no less fundamental objective, was to develop and implement a transparent, merit-based programme where only the students with a proven academic ability would receive a scholarship. Nexen did not want the scholarship programme to be a cheque-writing exercise; it wanted to be involved in the selection of each student as a further check-and-balance to ensure that the highest standards of integrity and transparency were part of the formula.

Promoting merit and transparency through selection methodology

The scholarships—due to their monetary value, comprehensive elements of the entire programme, and the opportunity for advanced education in another cultural milieu—are viewed as prestigious awards and are competed for with great intensity. The company recognized the challenge it would face to ensure that it awarded scholarships solely on the basis of merit and to counter the possibility of *wasta* (a common Arabic word in the Middle East generally indicating “influence”). In addition, the company was under the scrutiny of sceptical stakeholders watching whether or not this programme could be established according to the principles of merit and transparency.

The first step in developing this process involved establishing a working group of local stakeholders to guide the development of the project. Nexen wanted to collaborate with the Government of Yemen to ensure and enhance the programme’s integrity and longevity. The Scholarship Steering Committee (SSC) was thus formed under the chairmanship of His Excellency Abdulaziz Abdulghani, Chairman of Yemen’s *Al-Shoura Council*, and today still

operates under his stewardship. Since 1997, the SSC has included the Ministers of Foreign Affairs, Oil and Minerals, Education, and Higher Education and Scientific Research. Representatives from Nexen, which acts on behalf of its Masila Project Partners, and America-Mideast Educational and Training Services Inc. (AMIDEAST, an NGO facilitating educational exchange programmes, English-language training and educational advising), also sit on the SSC.

The SSC played a critical role in establishing the original criteria for selection. An important first step was setting minimum qualifying criteria that each applicant would have to meet, which included being a Yemeni citizen between 17 to 22 years of age, attaining at least an 80 per cent overall average on their secondary school certificate, and having English-language ability. Students meeting these criteria are eligible to apply and have their applications considered equally amongst their peers applying to the programme. A call for applications is published in major English and Arabic language newspapers to ensure that the programme is widely advertised and that a particular region of Yemen is not favoured.

All applicants are ranked on objective criteria by a scoring team composed of representatives from the Ministry of Higher Education and Scientific Research. A standardized score is assigned to each student’s overall secondary school average, their average in math and sciences (since degree programmes under the scholarship require an aptitude in these subjects), and their level of English-language achievement. Students are given access to the scoring standards so that they have the opportunity to maximize their ranking where possible. For example, a student who writes the international TOEFL exam (an English-language proficiency test) and achieves at least the minimum requirement set for university admission will be given full points under the English-language category. Once all the applications have been scored, an audit is conducted by Nexen and AMIDEAST representatives.

The top candidates move on to the second phase, where they are interviewed to determine if they have the maturity and motivation to succeed in the Scholarship

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Programme. The interviews are conducted by a team of representatives from Nexen, AMIDEAST and the Ministry of Higher Education and Scientific Research. Following the interviews, the top-ranked candidates are endorsed by the SSC to proceed to the final phase. At this stage, candidates' applications are sent to post-secondary institutions in Calgary for further evaluation. The University of Calgary and the Southern Alberta Institute of Technology determine if each student has the academic qualifications to gain admission to their selected programme based on their secondary school transcripts. The institutions are an integral check-point in the selection process; only students meeting their academic standards will be admitted, thus reinforcing the merit-based ideology of the programme. The results from each phase are combined, and a recommendation of award is made to the SSC. The SSC endorses the final recipients.

In the first year that the scholarships were offered, 731 applications were received and the 62 top-ranked candidates were interviewed. From there, 33 candidates were short-listed for evaluation at the post-secondary institutions, and finally, 10 students were given scholarships. The entire process took approximately nine months. Throughout the selection period, Nexen faced significant pressure to promote candidates who were not qualified or even eligible to receive a scholarship. The members of the SSC played a critical role in diffusing the pressure and ensuring that Nexen and its partners were able to award the scholarships according to merit and transparency.

The selection methodology has remained consistent, with only minor adjustments to improve the fairness of the process. As an example, a change was made to the criteria under the category of English-language ability. In Yemen, students attending private school receive English training beginning at the primary level, with instruction taking place exclusively in English. Public school students begin learning English at the primary level too, but Arabic is the principal language of instruction. As a result, scholarship candidates from the private school system had an advantage over public school students and students ap-

plying from rural areas. The SSC thus introduced tiered entrance into the scholarship programme in 2003 in order to level the playing field. If a student demonstrated a strong academic ability but lacked English-language skills, they were given the opportunity to complete an intensive English-language training programme in Sana'a or Aden. This broadened the accessibility of the programme and deepened the perception that the programme was operating according to principles of merit and transparency.

Measuring success

In 2006, the scholarship programme will award the final 10 scholarships under its present commitment, bringing the total number of awards to 80. The first group of ten students graduated in 2003. By the end of 2005, the programme will have 26 graduates. The success of the scholarship programme can be directly credited to the selection process. Students admitted to the programme generally perform well academically and even excel in their field of study. Out of the 70 students selected, only two students did not complete their degree programme, but in both cases, it was due to non-academic reasons.

The qualifying criteria and academic screening process ensure that the most qualified candidates receive awards. In addition, the SSC plays a critical role in managing external pressures of influence on the programme to advance unqualified candidates. The SSC members work cooperatively and with a common goal to enhance and ensure the credibility and stature of the programme. This partnership is a vital pillar in the administration of the programme, its ongoing success and its reputation as a merit-based initiative.

It is also significant that the scholarship programme enhances opportunities for women. Members of the SSC fully accept and approve the advancement of women under the programme. Today, some 30 per cent of scholarship recipients are women in contrast to 10 per cent in 1999. It is becoming increasingly accepted for women to pursue post-secondary studies and to travel abroad for this purpose.

One premise of the programme was that graduates would return to Yemen following completion of their degree to use their skills and knowledge for the development of their country. Based on a survey of the 17 graduates from the classes of 2003 and 2004, eight students returned to Yemen and found employment related to their field of study. Six students stayed in Alberta to pursue employment opportunities under a joint programme run by the federal Government and the province of Alberta that issues two-year work permits to foreign students who graduate from publicly funded Alberta post-secondary institutions. Three students are undertaking further studies in Canada.

Many students in the original group of recipients subsequently admitted that they approached the scholarship programme with scepticism when they applied. They believed that *wasta* would be the sole unpublished criterion for acceptance into the programme. The credibility of the programme has increased with each passing year due to adherence to the principles of merit, transparency and equal opportunity. With time, outside pressure for advancement of candidates has decreased significantly.

An important footnote to make is that Yemen has adopted similar selection methodologies and principles for its own post-secondary scholarship competitions. For example, some of the Government ministries now use the model Nexen developed in administering its own scholarship programmes.

Conclusion

It can take years to build a reputation of ethics and integrity, and only one bad decision can quickly erode hard-won credibility. Nexen's employees are trained and expected to uphold high standards of safety, environment and social performance. The relationships the company has with its communities and stakeholders are dependent on this. Poor decisions could have a long-standing negative impact on the company's reputation.

Promoting Nexen's values within an international operating environment can be challenging at times. The

Yemen Scholarship Programme is an example of how a company successfully navigated difficult terrain to implement a transparent, merit-based and equal opportunity programme that is now one of the country's signature community initiatives. The programme's success is based on three elements working together. From its inception, it was made clear that if the company was unable to deliver a programme according to these principles, it would not undertake it at all. Acting as enforcements to Nexen's ideals and delivery strategy was the establishment of a partnership amongst stakeholders through the SSC. Defining solid qualifying criteria and selection methodology was also instrumental to awarding scholarships to the most qualified students.

The programme's graduates are a testament that the processes and systems in place work and are building a legacy of personal achievement, creating access to higher education and cross-cultural experiences, and contributing to enhanced Governmental and institutional expertise that will ultimately be of benefit to the Yemeni people. Nexen's Yemen Scholarship Programme could be a model for transparent, merit-based assistance for critical human capital development in developing countries by multinational companies.

Note: All figures quoted are in Canadian Dollars

Endnotes

- 1 United Nations Human Development Report 2005
- 2 UNESCO Institute for Statistics, Arab States Regional Report 1999