

BP in Vietnam: Social Involvement, an Evolution

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BP in Vietnam: A brief history

In the late 1980s Vietnam turned away from its major reliance on the COMECON trading block and introduced its *Doi Moi*¹ policy, embracing the principles of a market economy and cautiously opening its doors to western investment. The US trade embargo was to remain in place until 1994.

Vietnam's oil and gas reserves were thought to be very interesting². Vietsovpetro, a Russian Vietnamese joint venture, was already in production at the Bach Ho (White Tiger) field but there was considerable scope for further exploration. With a population over 80 million, the second largest population in ASEAN³ after Indonesia, there was also a large potential market for downstream⁴ oil products. Unfettered by the embargo, BP determined to position itself to develop both markets. As Mike Yeldham, the first BP representative in Hanoi, speaking years later said: "There was a chance to get the brand established in Vietnam and actually get pole position that we hadn't got anywhere else, and could not expect to get."⁵

The first area of interest still uncommitted lay offshore Danang in central Vietnam. BP had made a huge gas discovery based on pre-existing and newly acquired seismic data, but this was discovered not to be commercial. BP's chief interest had however focused on areas later relinquished by Vietsovpetro together with those held by the Indian state-owned ONGC, in which gas deposits were discovered some 370 kilometres offshore south-east of Ho Chi Minh City in the Eastern Sea. The concession for this area, known as Nam Con Son, was held by the Indian state-owned ONGC in partnership with PetroVietnam, the Vietnamese state national company, and had not been exploited. After delicate negotiations, BP succeeded in 1992 in acquiring a share of this venture and assuming operational responsibility for its development. Significant discoveries were made in 1993 in Nam Con Son at the Lan Tay and Lan Do gas fields⁶. The total investment in that project was to total US\$1.3 billion, and become the largest

single foreign investment in Vietnam. However negotiations took more than ten years to conclude, with the final contract only signed in December 2000, so it was not until November 2002 that the first gas was delivered through an underwater pipeline to the Phu My 1 and 2 power stations in Ba Ria-Vung Tau province and from March 2004 to Phu My 3 a BOT⁷ power station jointly owned by BP, Sembcorp (Singapore), and Kyushu Electric/Sojitz (Japan), with one-third share each. Further gas discoveries in the Nam Con Son basin at Hai Thach and Moc Tinh had yet to be developed.

BP had two downstream manufacturing and marketing lubricant operations, joint ventures with state-owned Vietnamese partners; BP Petco with Petrolimex, and with Saigon Petro through Castrol, which BP had acquired in 2001. In 1998 BP Petco had expanded its operations with an LPG bottling plant at Nha Be near Ho Chi Minh City.

Early Days

"In 1991 Hanoi was very strange, there were not many foreigners around, and everyone assumed you were Russian. One large company with which we did business had very few resources and I actually brought in a copying machine for them. They set up a special room for it and a man set up a bed beside it, it was so valuable."

Mike Yeldham, first BP representative in Hanoi

BP had arrived in Vietnam with great expectations. Mike Yeldham had spent two years in China in the early 80s, and after a spell in London, had moved to Bangkok responsible for developing new exploration opportunities in the Asia Pacific region. As Vietnam opened up he started to visit regularly and then in May 1991 moved to take up residence in Hanoi. His role was not technical: "I took the view that London had put me there to get on with the job of creating the public image of BP in Vietnam, also of course developing the oil business, but the two go together. In addition to budgets for the business itself I had a budget for doing all the non-business things; I was expected to do something positive under the heading of something like Government and Public Affairs. Within the culture of BP at the time that was part of my role, and it was clear that funds would be set aside for it".

From the outset Yeldham set himself the task of determining how BP could embed itself in Vietnam. At this early stage, BP's main objective was to lay the basis for future activities, building a reputation as a company committed to Vietnam for the long term. "We needed to establish our credentials as a company which was not just going to take the money and run, to dig a few holes and go if they were unsuccessful or go just for the profit." Relationships had to be established with the various stakeholders in 'official' Vietnam; the People's Committees⁸; the Government, and the state oil company PetroVietnam, which was part of it and effectively the Oil Ministry. There were high expectations of oil resources for export and to fuel Vietnam's nascent economy (although the absence of a domestic refinery meant that downstream oils and fuels

would still have to be imported). An obvious area of urgent need was English language education⁹. Yeldham felt that, as a predominantly British company at that time, this was an appropriate field in which BP could contribute. Just before he left Bangkok for Hanoi he was visited by a representative of UCLES¹⁰ who had established training programmes in Thailand for teachers of English. Yeldham agreed to sponsor six Vietnamese in the programme but with a condition: ""I said we would do it just once and would then want feedback, not only from UCLES but from the teachers. After the course was over I would go to Thailand for the closing ceremony and talk to them". At the ceremony Yeldham met a Thai who was promoting the BBC in Southeast Asia, and that led to BP's sponsorship of a programme in Vietnam involving Vietnam TV, the BBC, UCLES, and the Hanoi Foreign Trade University. This suited BP's intentions very well, providing education while establishing that BP was a good company, helping with the development of the economy.

Other educational commitments followed, including World Bank scholarships for Vietnamese students to attend UK universities, for which BP provided matching funds. The first students went to Manchester University. Yeldham would visit them when he went home on leave: "I would ask the families if there were anything not too heavy I could take for them, and I would end up delivering Chinese medicines and things like that". The programmes were administered by Mr Vu Tat Boi¹¹, General Director in the Office of the Government in Hanoi¹².

Further educational sponsorship included scholarships to Leeds University in the UK; senior Vietnamese managers in INSEAD programmes in Vietnam; and a business management course in Danang named in memory of Marcel Loos who had first investigated the potential of the Danang gas field¹³ but had since died of cancer.

Yeldham's emphasis on close involvement with the teachers' programme was typical of his view of BP's social activity. He said: "One thing I always said to Mr Boi, and anybody else, and it was said in the nicest possible way, was that we were not just writing cheques". Yeldham could recall only one project in which BP's involvement had consisted solely of a monetary donation; a US\$300,000 gift of equipment to a provincial hospital, Yeldham said: "We ordered and paid for the equipment but we never heard anything more about it, so we didn't think it was a terribly good idea."

Save the Children USA was also trying to establish an activity in Vietnam in 1991. John Browne, the chairman of BP, had known the NGO¹⁴ in the USA and was keen to help. After learning more about the programme BP Hanoi extended financial support, and by 2003 the cumulative contribution had amounted to \$1.6 million. Save the Children did not give money but looked for ways of helping communities which would be sustainable and grow and could be taught to other people. The Vietnamese authorities were initially suspicious and allowed only six months for them to produce results. The project was very successful in pioneering an approach the NGO termed "positive deviance"¹⁵ which has now been applied in several other countries. Jerry Sternin, the initiator of the Vietnam programme said: "Maybe the problem is that you

can't import change from the outside in. Instead, you have to find small, successful but 'deviant' practices that are already working in the community and amplify them". Yeldham again emphasised the importance of involvement: "Whatever we did, we always used to say, we're coming to see you, and we're going to follow it up. With Save the Children, we always went to the communes where the project was operating and then sat down with the families. It was partly because I wanted to be sure that the money handed over was put to good use, and partly out of genuine interest to get to know Vietnam and to enhance the whole thing".

Meanwhile BP had started advertising its lubricants, showing itself for the first time to the Vietnamese public. The TV advertisement featured a Boeing 747 landing at a BP service station while a voice declared "BP liên tục phát triển ở Việt Nam ([BP] on the move in Vietnam)" - this was thought especially appropriate for Vietnam at the time. It became a popular toast at restaurants amongst people quite unconnected with BP.

BP made a point of never yielding to demands for unofficial funds; however they did from time to time donate items of practical value. On one occasion when a contract was to be signed, the authority concerned pointed out to BP that there were no heaters in the room, and with VIPs attending the ceremony: "we wondered if you would like to assist us to install a couple of heaters". BP did so.

Efforts to conclude the gas exploitation contract were protracted. However at an early stage when BP's involvement in Nam Con Son was under discussion, Yeldham found himself at a pivotal point in the negotiations. As he put it: "Neither PetroVietnam nor Petrolimex can sign contracts without government agreement, there are a number of different stakeholders in the decision making process. The best you can do as a businessman, even if you are investing large sums of money, is to get to know the right people. At the time, hundreds of companies were approaching PetroVietnam. The question to us was: 'what is your corporate personality, what are you offering Vietnam?' Personality creation and building trust are essential."

So at this critical stage Yeldham told PetroVietnam that while they may not realise what BP had done in the community, he would like them to speak to Mr Vu Tat Boi who knew something about it. "So I went to Mr Boi and said: 'I need your help here, I know this deal is not in your gift, but I would like to call in some favours here to the extent that you can'. Some time in 1992 I went to a meeting at which Mr Boi had produced some other people whom I had never met before, and he explained to them what we were doing in the country. I was not saying 'look at all the money we have spent', we needed to get across to the stakeholders that we were the 'right sort of people' and they were able to appreciate what we had done. We were finally told 'the fruit on the tree is ripening' and in June 1992 realised that we had cleared that critical first barrier on the long road to final success."

By the time Yeldham left Vietnam in 1995 PetroVietnam had become very knowledgeable, they were much bigger, had learned a lot and had become 'like any other state owned oil company'. At the same time, BP was beginning to look for some

return on its activity. Although downstream lubricant sales had commenced, the crucial gas negotiations dragged on. Other ministries such as Energy and Finance had become involved, complicating the situation and it was not until 2002 that the gas finally started flowing.

BP's Involvement in Social Projects in Vietnam

Over the years since it first entered Vietnam, BP had been involved in many social projects and had invested well over \$6 million in them. Initially, before its own operations really got under way, projects were based upon a generally perceived need with a focus on Education; Health Safety and the Environment; and Poverty Alleviation. However as the businesses expanded a growing focus developed on areas geographically or sectorally related to BP's own activities.

The department of Government and Public Affairs in BP Hanoi reviewed the many applications for support that BP received then short listed them after consulting staff, and compiled a budget for social involvement, including recommendations for funding ongoing activities. The final decision was taken by the management committee.

Flora and Fauna International (FFI)¹⁶, Cat Ba project

Martin Hollands at FFI headquarters in Cambridge, UK said that FFI had been keen to help companies move from the idea of simple corporate philanthropy to sound long term business investment fitting John Browne's philosophy, that long term profitability is based on environmental and social responsibility. He suggested: "If you are trying to show your commitment to the country it might be interesting for you to get involved in projects which may be high priorities for the government and not only in things near to your operations".

The island of Cat Ba in Ha Long Bay¹⁷ was famous for wild natural beauty, and also for its distinctive honey. It was a poor area, and hunters had often illegally entered the forest to search for honey which they could sell to tourists. They sometimes started fires, which often spread, to scare off the bees. The island was also the habitation for the Cat Ba langur, one of the world's rarest primates, and the destruction of the forest was a direct and immediate threat to them.

From 2001 FFI initiated a project in bee-keeping and other education for the local people so as to discourage them from raiding the forest. From 2001 to 2003 BP was the principal donor, contributing a total of \$210,000 to fund the project. Although honey production was still very small it more than tripled as a result of this initiative which was strongly supported by the official Ha Long Management department.

Jady Smith, FFI project manager in Hanoi for coastal diversity, had welcomed the funding commitment this had promised. "I think it's significant that BP's money is actually doing something positive and its definitely social investment because there is no doubt that they would get more money if they just dropped the money into their

marketing department. To get that continuity of funding we would need a whole department just for donor liaison, and as a conservation organisation we really don't have that access". However FFI's plan to obtain matching funds to effectively double BP's contribution had not succeeded, and this had resulted in a shortfall and a consequent curtailment of the original scope of the project.

Martin Hollands felt that starting and not finishing a project was worse than not starting it at all: "If you are pump-priming and overcoming the problem of start up costs that's OK, but to put the funding in at the beginning, and for the project not to succeed later through lack of support would be particularly damaging.

Cat Ba was BP's second partnership in Vietnam with FFI. Between 1996 and 2001 the company contributed \$400,000 to the Cuc Phuong national park conservation project which had been handed over to a local NGO well trained by FFI to do the job.

Save The Children US (STC)¹⁸

It was only since the mid-1990s that the NGO concept had become accepted in Vietnam¹⁹. The official stance until then had been that everything must be governed by the state: indeed the very term Non-Governmental Organisation was deemed to be reactionary; "non"-governmental was interpreted to mean "anti" government. In 1991 STC had therefore found it difficult to obtain permission to operate in Vietnam, not least because it was American.

The initial target was to deal with malnutrition; at the start of the programme in 1991 that scourge was running in Vietnam at 50% of children under 5 years old. The programme gradually expanded to cover pregnancy care and from 1998, micro-finance and education. BP initially provided 80% of STC's funding at between \$100, 000 and \$120,000 per year. This had declined to around \$70,000 by 2003.

Doan Anh Tuan, responsible for micro finance for STC in Vietnam and Myanmar, commented: "Most donors extend funds for a specific project, but BP gives us flexibility, creating the opportunity for us to pilot different approaches and programmes. In business terms you could say that we use this for R&D purposes which we are not allowed to do with other grants".

STC had a staff exchange programme with BP in Vietnam where staff spent a few days in each other's organisation. On one occasion BP arranged a staff retreat, part of which included a visit to a BP funded STC programme at Sapa in the remote north west of the country. On another occasion Tuan had been invited to address a BP regional meeting to share his experience of the Vietnam project with the participants.

Tuan commented: "BP is now no longer the largest donor in our portfolio, but we always appreciate BP's contribution the most, particularly the way we work together. We share expectations and are very transparent and clear about them".

Danang University - The Marcel Loos Memorial Business Course

This programme for students about to enter the business world started in 1994 as part of Danang University, and ran five 17 month sessions under the dedicated instruction of a Filipino, Victor San Gil, who taught almost the entire programme and acted as guide and mentor to the students.

While Hanoi and Ho Chi Minh City have a number of business training programmes, there was little on offer in Danang, Vietnam's third city and capital of the central region. The Marcel Loos programme had filled that gap. Graduates of the programme had established a reputation for excellence, an executive in an employing company in Ho Chi Minh City said: "they have such good basic skills that we can use them immediately".

BP had always made it clear that its investment was not open-ended, but the message had perhaps never been delivered bluntly, and when the time came to substantially reduce its contribution it was a shock to those running the course. There was consternation and sadness as it could no longer continue in its original form.

Alumni of the course still kept in touch with San Gil who had returned to Manila at the end of 2003, but the programme had come to an end, and it was not clear what would replace it.

Helmets for Kids - Asia Injury Prevention Foundation (AIPF)

In Vietnam the motorbike is used as a conveyance for the entire family. A law had been passed in 1993 decreeing that helmets should be worn by motorcycle riders in Vietnam, but had been widely ignored and accidents and injuries were increasing at an alarming rate. Helmets were too hard, too heavy, and too inconvenient and were dubbed 'helmet rice cookers'.

Greig Craft had been a successful businessman in Vietnam when in 1999. Alarmed at the incidence of road accidents and deaths, he had created the AIPF foundation together with Do Tu Anh. The aim of the foundation was to promote the use of helmets for the many Vietnamese who had come to rely on motorbikes for their main means of transportation. AIPF strategy was to introduce the helmets through the schools, targeting children. Not only would the children learn to accept that helmets might be 'cool', but they would take the safety message back to their families.

It was hard to attract support and Craft committed all his assets to the AIPF cause. In addition to initial indifference, they had to overcome basic consumer resistance to the wearing of helmets. To improve the design and image, AIPF consulted a US firm producing equestrian helmets and together they designed a light comfortable helmet which did not seriously impede vision, and was well ventilated.

An official National Traffic Safety Committee had been established on a cross-ministry basis, but was not very well organised at first, however AIPF persisted and soon drew official support. Anh commented: "A lot of people complain about their

Vietnamese partners, but we never have. We've had lots of arguments on the way, but the committee has been very co-operative".

Initial funding for AIPF was provided by an anonymous US philanthropist. He promised a million dollars if AIPF could raise matching funds. In April 2001 AIPF contacted BP who decided to put up \$250,000. It was a natural cause for BP. Road safety was an integral part of the BP company culture in Vietnam. Le Phuong Phuong was External Relations and Brand Marketing Manager at BP Petco. She recounted that a BP staff member was pulled over by the police for a routine check. He didn't have his licence but produced his ID card showing that he worked for BP. The policeman said: "If you work for BP, where is your helmet? You're breaching your company policy". John Kilgour would frequently hold safety briefings and workshops when outside contractors came to work on BP Petco or Castrol premises. Castrol had a close global relationship with Honda, and together the two companies went to the Ho Chi Minh People's Committee and organised a programme over 12 months educating 30,000 young people in the care and handling of motorbikes.

BP was particularly attracted by AIPF's plan to build a factory to manufacture the helmets, this meant that the project aimed to be self-sustaining, and even profit making, from the outset. The factory was completed in March 2002. Annual production of 130,000 helmets was achieved and AIPF was hoping to increase that to 200,000 in future.

Anh said: "BP take a very active personal interest and put in a lot of time and effort which runs throughout the organisation". John Kilgour, head of Castrol and previously of BP Petco (although owned by BP the two companies retain their separate identities in Vietnam) said: "Road accidents are one of the greatest social problems confronting Vietnam. 4% of the total GDP is spent on accident victims. It has a huge economic and emotional impact on people. AIPF involvement was exactly the right thing for us to do, going back to the original social investment strategy that improvement comes through engagement and investment. It was not just about donating funds, but it was getting involved in the schools. So far we have donated over 100,000 helmets through 45 different schools. I'm on the board of directors of AIPF representing BP. I have to say that I feel quite passionate about protecting the lives of the young children of Vietnam. Over the next year we will put one million children through a road safety education programme - it really is all about education".

There was a monitoring programme to test any helmets involved in an accident, so AIPF knew exactly how many people had been involved in accidents and the circumstances. Kilgour considered this an important part of the project review process.

AIPF helmets might be given away under corporate sponsorship or sold commercially. If they made a profit, the funds would be reinvested in other safety campaigns.

BP did not put its logo on helmets unless the company itself was donating them, AIPF promoted its own "Protec" label. BP also recruited other companies such as TNT.

The helmet was produced in TNT colours with a small logo on the back, and TNT then 'adopted' a school and developed a relationship between its staff and the school children.

AIPF had won support from one of the major motorcycle manufacturers in Vietnam, but had been disappointed when it declined to give away 1,000 helmets with newly purchased machines, preferring to concentrate its efforts on government lobbying.

In 2003 the "Helmets for Kids" project was a finalist in the BP Helios²⁰ Awards ceremony conducted in London. The BP Helios Awards is a competition for social projects in London (there were 1,778 entries) and the scheme served as a model for similar programmes being considered in Malaysia, the United Arab Emirates, China, and India.

Sy Hai Solar Project

BP Solar started operations in Vietnam in 1993. A wide variety of installations had been undertaken providing power for telecommunications, and other rural power sources. The Disaster Management communication network in the Mekong delta and lighting and refrigeration systems on Con Dao island were provided as part of BP's social investment.

BP contributed equipment worth \$120,000 to a pilot project designed to provide power to a remote Vietnamese hill community of 300 people at Sy Hai in Cao Bang province co-operating with the UNDP²¹ and the Vietnamese Ministry of Agriculture and Rural Development. The purpose of BP's involvement was to provide modern energy services, not just solar panels. That meant lighting so that people could continue working in the evenings; TV and video for the school; and pumps to tap the water down in the limestone, whereas before the community had to rely on collected rain water. The project had been designed to pave the way for a \$10 to \$15 million Spanish aid project to provide power to similar remote communities on which BP would make a profit. Tran Thi Minh Nga, BP's associate director told of the excitement and thrill she felt in the community when the power was switched on for the first time.

For BP this model combining business objectives and social initiatives represented exactly the way in which the company wanted to move forward.

BP, British Government Chevening Scholarships

These prestigious scholarships, funded by the British Foreign and Commonwealth Office and administered by the British Council, were supported in Vietnam by BP and other sponsors to enable outstanding young Vietnamese to study in the United Kingdom. The total BP investment in the project by 2003 had amounted to \$370,000.

BP Street Vision

BP staff played a major part in many activities in the communities in which the companies operated. The company photographic club coached young children from the

streets of Ho Chi Minh City in the art of photography with remarkable results. In 1998 Truong Ngoc Lam had been in a children's shelter in Ho Chi Minh City, three years later she was in Switzerland, hosting an exhibition of her award winning photographs. She had then returned to work as a photography teacher for Street Vision in Ho Chi Minh City. Graduates from the programme worked in Ho Chi Minh City photo laboratories; others had found work as photographers in their home towns. This activity was co-ordinated with the Ho Chi Minh City Child Welfare Foundation.

Operation Smile²²

In Operation Smile, co-sponsored in Vietnam by BP, about 60 BP staff volunteers attended to comfort and help the many children being prepared for operations to repair cleft lips, cleft palates, and other malformations by a medical team of 40 volunteers. Many were the victims of Agent Orange²³. There are many potential patients and not all could be treated. Vo Nhu Quynh in BP Ho Chi Minh City, one of the volunteers: "Many of the children had been abandoned at birth by their parents. Working with the medical team was the greatest experience I ever had; they were very skilful, very professional, and very funny! I wished I had joined the mission sooner".

Fun Runs, Cyclo Races

BP staff regularly joined in activities such as Fun Runs, in aid of Operation Smile or Cyclo²⁴ Races (BP won the gold in the 2003 Challenge Race) in aid of the Saigon Children's Charity organised by foreign companies and diplomatic establishments.

Matching Funds

BP head office matched the donations, time spent, or fund raising efforts of employee volunteers with monetary donations to the activities involved, these were not restricted to BP sponsored projects.

Social Involvement Focus: BP's Communities in Vietnam - Ba Ria Vung Tau, Nha Be, and Cat Lai

Mike Yeldham had pinpointed a central issue of social involvement: "do you go to where your activities are and try to influence the People's Committees, or do you show how philanthropic you are and go out into the sticks where nobody cares where the money comes from?"

Graham Baxter, Vice-president Corporate Responsibility at BP's London headquarters summarised the company's policy:

"We've moved on from the concept of philanthropy, and now see that what we do in the area of social investment should ideally be linked to our normal

business activity. Let me give you an example from Azerbaijan. There is a desperate need for business development in post-Soviet Azerbaijan; it's a social need and national priority. For us as a business operating in the region it is hugely beneficial if we can take advantage of local business supply options so we are building an enterprise centre. It is a much sounder basis for all concerned if our social investment is something our immediate stakeholders benefit from directly because we are going to keep doing it. However if there is a major humanitarian need in an area where we are involved, such as the recent Algerian earthquake²⁵, we will step in. Again, we operate in Angola where there is a huge mine-clearance problem up country. We have made a contribution to that campaign, but our operations are in Luanda, where many people have migrated, and there is a massive educational problem there and that is where we focus our efforts. It's just to say that generically we're trying to shape our focus in the direction of business connectivity."

An important issue was the question of secondary and even tertiary impacts of investments, particularly for energy companies; population shift; economic distortion; the impact on society. Where did the company's responsibility and the government's responsibility begin and end? BP's investments in Vietnam could not fail to have an impact throughout the economy, so how far did Baxter's notion of 'business connectivity' extend? As Hollands of FFI put it: "Do you just say 'it's up to the government; this is written into our contract with them', or do you need to be a little bit more proactive and see how to manage some of those investments yourself so that you are comfortable with them?" In 2001 Steve Walker, then Associate President of BP Exploration issued guidelines which reflected the need for such a balance (Appendix I)

John Kilgour, President of Castrol: "If we get a request for social investment it's either going to be centred pretty close to where our plant is or where our staff can get engaged in it".

BP's main upstream on-shore activities are located in the province of Ba Ria Vung Tau, with the BP Petco plant at Nha Be and the Castrol plant at Cat Lai, both in the outskirts of Ho Chi Minh City. BP's largest single social contribution in Vietnam is therefore directly into the communities in which it operates. Whereas in the case of 'national' projects international NGOs might be involved, the emphasis here is on local NGOs and communities.

Do Ba Canh was in charge of operations for the entire Nam Con Son pipeline project. He and his wife were American 'Viet Kieu'²⁶ having left the country in the early 1980s as 'boat people'. He now found himself working only a few kilometres from his birthplace. The final stages of contract negotiations were still in progress when he arrived at BP in Vietnam, so he spent most of his time in the area visiting stakeholders most directly affected by the pipeline operation, Ba Ria Vung Tau. The community was

very close-knit and proud of its record during the American war. As a Vietnamese who had gone to the US, Canh had to prove himself: "I spent a lot of time in the early days in Vung Tau, mainly to develop relationships and to establish a base. I visited the People's Committee, the party chiefs and department heads at various levels in the organisations concerned throughout the community. I had to go through this period when they were kind of asking 'what is this person going to do; what is his agenda?' Once we had passed through that they took me in as one of their own and we were able to overcome a lot of difficult issues with them."

Hugh Sykes, previously Commercial Team Leader at BP in Vietnam remembered: "Community projects were in Ba Ria Vung Tau, BP's main operation base. We were very active with the community in this province. It was always a pleasure to get involved in our work there, I was lucky enough to do so on numerous occasions. My understanding of BP's involvement was quite clear. We are not a charity. We get involved in a focused way. We believe that providing such support will assist in developing our business here, it is what a responsible long-term member of Vietnam's economy can do to the mutual benefit of all."

Environmental and human issues were inevitably raised by the construction of the gas pipeline. The landfall was amongst beautiful sand dunes. It was in fact the second pipeline to come ashore in the area. The first, carrying gas (which had previously been burned off) from the Vietsovpetro Bach Ho project, destroyed the dunes, they were simply dug up. BP felt it essential to restore the dunes affected by the Nam Con Son pipeline, especially since tourism was so important in the area, and so it initiated the first dune restoration project in Vietnam. Mary Shafer-Malicki, Director General of BP Exploration in Vietnam: "We talked to PetroVietnam and the provincial government and said that we saw this as part of the 'cost of doing business'. It was a kind of 'chicken and egg' thing. When we started discussing our ideas they said 'Yes, you should do that' but they had never required it before. We told them: 'our policy is to abide by our own environmental standards. You may have your own standards, but if they are lower than ours, we will go beyond them'; that is what BP does".

Le Phuong Phuong of BP Petco succinctly explained her view of the company's policy of involvement with the community beyond immediate customers. "1. Co-ordination with the government at all levels is essential, we offer in response to needs: 'The mother feeds only when the baby cries'. 2. The way we give is more important than what we give. 3. Social investment is neither charity nor advertising. We present our brand through projects and leverage it through positive media coverage. 4. We do not compete with other sponsors; we join them (although if there are other oil companies we need to be the leader). 5. We must be creative and find better ways to help regardless how small a project might be. 6. We must always be transparent and set an example through our own personal interest and participation".

Staff Involvement

There are some 730 staff in BP Vietnam, 350 in Exploration, 190 in BP Petco, and 170 in Castrol, but only 20 in Hanoi so the number of staff involved in social activities is much greater in the South.

In many cases volunteers from BP are directly involved in community activities. The BP Vietnam in-house magazine "Helios" regularly reports a multiplicity of small and large projects supported by the company and their staff; a gift of \$500,000 to the hospital in Ba Ria; BP volunteers painting the gates and walls of a BP funded kindergarten; BP Petco donating eighty water tanks to a rural community; volunteers helping at a Deaf and Dumb school provided by BP initially housing 100 children, with an eventual capacity for 300; traffic safety education programmes with donations of AIPF helmets through schools; motorbike safety instruction; BP staff participating in Operation Smile, or in the BP Street Vision project, and many others. So it is not just money that is involved: Nguyen Khoa My, External Relations Co-ordinator of BP Petco in Ho Chi Minh City: "Investment plus Involvement equals Development' - it's a very clear formula. Just put the money in there, just walk away: it doesn't work. You just go in there, join the local people, and then it works."

Several staff members commented on their involvement. Ngo Thi Hoan Hao, now based in Hanoi, had spent some time at BP's head office in the south, frequently meeting local communities around the Dinh Co terminal, visiting schools, distributing helmets, clothes and other things: "We would let the other staff know what we were doing and our colleagues would join in, making donations, accompanying the children on trips we arranged. One place I often visited was a school totally funded by BP near the gas terminal. What I like about such activities in BP is that there is a lot of internal assurance; our social activities must be completely transparent. It is never easy to deal with the authorities, but at least we have a very clear approach and it works well."

Vo Thu Hoai, Public Affairs co-ordinator in Hanoi thought that the involvement of staff was simply embedded in the company culture, it was never mentioned explicitly, and there was never any pressure on staff to take part. However events would be widely publicised and participation invited: "I was so surprised to see the long list of volunteers for Operation Smile for our children in Vung Tau, even our Director General, Mary Shafer-Malicki, had made time to be there and help".

John Kilgour at Castrol was clear about staff involvement: "You have to engage staff in the social activity but you cannot come in and push things on people. You need to engage them in the process so they take ownership and if they won't take ownership, you've lost them".

Doan Anh Tuan at Save the Children: "Our partnership with BP is more than giving and receiving. It is not only Hoai, who visits our programme, but other staff members".

At FFI Jady Smith said, "We had a trip to Cat Ba for journalists and lots of BP staff came along. They were really interested and animated. They said: 'Let us have these jars of honey and we'll sell them to all the BP staff'. When you have the staff of a big company engaged like that it takes it to a different level".

Team building is an important activity in BP in Vietnam and often involves some social activity. Vo Nhu Quynh: "Our team went to Danang in October for team building; we went to the blind school and gave them gifts, tapes, clothes, and Braille books.

The Don Xa²⁷ project had nothing to do with BP officially. An employee of BP in Belgium, Roby Bauweraerts, had visited Vietnam privately, and was moved to start a project fostering children in Vietnam. His first attempt was taken over by an NGO and he realised that, if he were to succeed in the way he wished to achieve his goals, he had to control the project directly himself. He broadened the scope to cover a number of critical issues arising initially in one small community near Hanoi, Don Xa. At this point he recognised the need for assistance on the ground in Vietnam since he himself was based in Belgium for most of the year. He sent an e-mail to BP in Hanoi where in fact he knew no-one, inviting help. It was circulated and several staff responded, and became fully involved. Chu Kim Hoa told of her involvement: "I went to Coloa ten days ago; it was the inauguration ceremony of a hostel for disabled children, built with our efforts, providing facilities and finding the resources for it. Belgian members remit money here and we work directly with the commune to follow up the project, doing everything necessary to support it. We also have the foster children programme. We ask the commune to make a list of very poor children with some special condition, perhaps very poor, or very talented, telling us about their family and current circumstances. We then send the details to the Belgians, we have a database, and the Belgian members then look for foster parents. So money comes to help and we build the relationship between the children and the foster family through letters, we translate them from Vietnamese to English and vice versa. Ngo Thi Hoan Hao said that BP people sometimes took their husbands and families to Don Xa at the weekends. Her husband, an architect, had helped to review the building plans for the school for disabled children.

Transfer of Technology and Expertise

As part of its commitment to the country, BP in Vietnam steadily transferred technology and expertise to its Vietnamese employees, partners, and contractors. This was not confined to oil related matters, but included business skills and management, social involvement and health and safety issues.

Mike Yeldham related how in the early years Vietnamese companies would come along quite unofficially and ask for a teach-in on such things as letters of credit, contract clauses, FOB, CIF etc. which were new to them.

Do Tu Anh at the Asia Injury Prevention Foundation said, "The people who came from BP earlier this year to help us audit our policies and control procedures were so proud to be in BP, not as a product, but as a company, and I think that is part of building a successful organisation. It's useful for us; we are a new organisation and I'm using a lot of BP's model and inspiration to build the staff around us".

Both Vietnamese and expatriate BP staff are actively involved in passing on expertise to others in Vietnam. Jady Smith at FFI commented: "Hung and Hoai at BP really know the media. Our media person has worked directly with them all the time; his capacity has increased quickly because he has seen how professionals do it". BP had also held media training for their colleague company PetroVietnam Gas Company, and a variety of similar courses on safety and other issues.

Mary Shafer-Malicki emphasised: "Based on the feedback I get my feeling is that the value BP brings to the government and the SOEs²⁸ is as much the technology, the way we do things, as the social activity. An important part of this is raising standards overall and establishing some Vietnamese technical credibility. Some of the better SOEs are already looking beyond their own borders, and we can help them."

The traffic was not all one way. Mary Shafer-Malicki again: "Pham Thanh Van is our HR manager. I asked her if she had ever realised how much she is changing BP, and she was really surprised. She is on the regional leadership team, and is very highly thought of in exploration and production, which means globally. She had never thought of herself as changing things anywhere else than in Vietnam".

Localisation

Mike Yeldham stressed the need for staff localisation as an element of the company's responsibility. In a country like Vietnam it was essential to have outstanding Vietnamese staff able to understand and interpret for the company the workings of Vietnamese official and business-related society. Cost considerations were also critical; it was much more expensive to keep expatriate staff in Vietnam. The transience of expatriate managers inevitably resulted in constant change, affecting both the internal ambience and relationships with important contacts. To help staff grow into new positions there were many internal BP training programmes, from the Asian Leadership development programme for future leaders to specialised technical programmes.

Many women are in responsible positions throughout BP Vietnam. In 2004 two of the four top executives were women. Mary Shafer-Malicki, the head of BP Exploration, was a chemical engineer. She had come to Vietnam from Oklahoma via various positions in the US with Amoco, President of Amoco/BP Netherlands, and Business Unit Manager for BP's Central North Sea assets, "I'm not American, I'm BP", she said.

Tran Thi Minh Nga, Associate President in Hanoi remembers a discussion with Mike Yeldham in the early days: "We were speaking very openly and I remember

saying, 'I'm Vietnamese and it may be difficult for me to reach a position of high responsibility'. We talked for some time about this and I came away with a feeling of confidence and empowerment". Yeldham recalled the time when the office consisted of just himself and two women, Nga and Trinh: "I would take them to significant meetings and say to everyone 'anything they say to you in my absence is BP saying it and I will support anything they say to you'". From the outset they were valuable and trusted BP people. A group of Japanese executives visiting BP in Hanoi was astounded to hear that Nga was the head of the BP Hanoi organisation, especially when a mature American employee called her 'my boss'.

The "Helios" magazine of June 2003 has a photograph of BP Petco's Performance Team undertaking research at the Nha Be lubricants plant; all six are women. The same issue features Chu Thi Phuong Lan, she was the Process Engineer responsible for the vital task of monitoring the flow of gas in the Nam Con Son pipeline.

Mary Shafer-Malicki saw it as just a matter of time before a Vietnamese BP 'global' leader would emerge. She saw a need to persuade staff to look beyond their own specialised role, noting in some a lack of confidence and reluctance to take risks. "In the US or UK people tend to say, give me the job and I'll figure it out whereas in Vietnam the reaction might be 'get me the education and I will then see if I can do the job after that'." The problem may be for local staff to become known through the global BP organisation, and for they themselves to get to know BP. For Minh Nga and our other local staff I try to be the link into BP".

Publicising Social Investment

There were differing views within BP in Vietnam about the extent to which social activities should be advertised. It was clear that there were two different audiences. Upstream, BP Exploration had no clear consumer market and saw as its audience the government, of which PetroVietnam was a part, and the officials and communities in which it operated. In this context the view was that there was no need to 'shout from the rooftops'. Indeed one expatriate observed: "Vietnamese culture does not respect 'blowing your own trumpet'".

Martin Hollands at FFI shared that view: "To be seen to be trying to brand a project too blatantly would actually not be particularly good. We have similar issues in that some international NGOs will want to plant a very large flag of their own on projects. We try not to do that because we see that we are there to support in-country partners, whether or not it's government or a local NGO, and it actually weakens their position if, when we have supported their project, we are waving an FFI flag around".

Do Tu Anh at AIPF expressed her opinion: "BP has two businesses. For the retail its name is already out there, and the company is really pushy on the commercial side, but for the upstream 'B2B' I think BP benefits from being a really classy

organisation, not pushy. People look at BP's road safety activities as a whole, not as a fragmented programme and they respect BP for that, and over time it makes BP's voice in this country very heavy".

An independent survey of BP's social policy impact on its various stakeholders had suggested that many were unaware of the fact that BP had, for example spent \$400,000 on flood prevention in the Mekong Delta, or had invested in Save the Children or in Cuc Phuong, or elsewhere. There were some in the organisation who felt that this was not right, while others argued that it was acknowledged as such by the important local and national authorities and was all part of BP's good citizenship. The company's move to concentrate its social efforts in the areas in which it was most closely involved was perhaps a response to the survey findings. However it had also coincided with the opening up of actual operations by the upstream group in the Ba Ria Vung Tau area.

BP social involvement projects in Vietnam will in future be closely related to the business activities and the stakeholders most nearly affected by it, a policy reflecting Graham Baxter's exposition of BP's group policy. Vo Thu Hoai summarised it: "Some years ago we were quite shy and modest. I don't know why, the feeling was that it was cynical to talk about our contribution. Today we think we must make a greater effort to link our social activities into our communication and PR programmes".

Mary Shafer-Malicki put it this way: "What I can say to an investor is 'I can be a force for good, I can be attractive to countries that want me there because I am going to look after their environment. I am going to look after the people who want to work for your company and, by the way, on top of that I am also actually going to give you a good return on your invested dollar.' You can only prove it by your actions".

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Appendix I

Social Investment Focus in Vietnam 2001

BP Viet Nam aspires to be the No 1 foreign investor in Viet Nam in terms of contribution to the Vietnamese economy, technology transfer, and being regarded as the preferred partner for future investment in energy provision and distribution in Viet Nam. Social Investment plays an important role in the achievement of these aspirations

Social investment is most effective where it facilitates the achievement of priority community needs in an area where BP operations have direct impact and where the focus of such support is on projects that will create sustainable improvements and self-reliance.

Due to the breadth and significance of BP operations in Vietnam, BP will from time to time also undertake projects at National or Regional level. Such projects will aim to emphasize BP's commitment to highest HSE (Health, Safety, and Environment) ethical and business standards and will be consistent with BP Brand values.

At the local level, priorities will differ from one area to another. However there are certain areas of focus that are likely to be common throughout Viet Nam. This is largely as a result of the needs of society at the current stage of development of the country. For this reason, we would like all assets to give due consideration to the following areas of focus in their discussions with local communities and to take them into account when reviewing existing projects and prior to the initiation of new projects:-

- **Education** - focused on facilitating science, technology, and business education to prepare children and young people for employment and to enable them to contribute strongly to the rapidly developing Vietnamese economy; also a focus on the education of disadvantaged children.
- **HSE** - focused on road safety, community HSE, forestry, marine and water conservation programmes that make a substantive long-term improvement in quality of life, community health and general living conditions. In addition, BP facilitates capacity building on land care, emission control, environmental awareness, and the handling of water related disasters.
- **Poverty Alleviation** -focused on rural poverty and the achievement of improvements in agricultural productivity, small business creation and promotion, and those small pockets of urban poverty where we operate.

The above focus will be subject to regular review and is likely to change as society develops.

All social investment projects should have as their prime aim the creation of measurable, sustainable human progress, should have a significant level of employee involvement, and should involve partnership with other stakeholders e.g. local authorities, local communities, and contractors. Wherever possible, projects should also support the traditional culture of the local people.

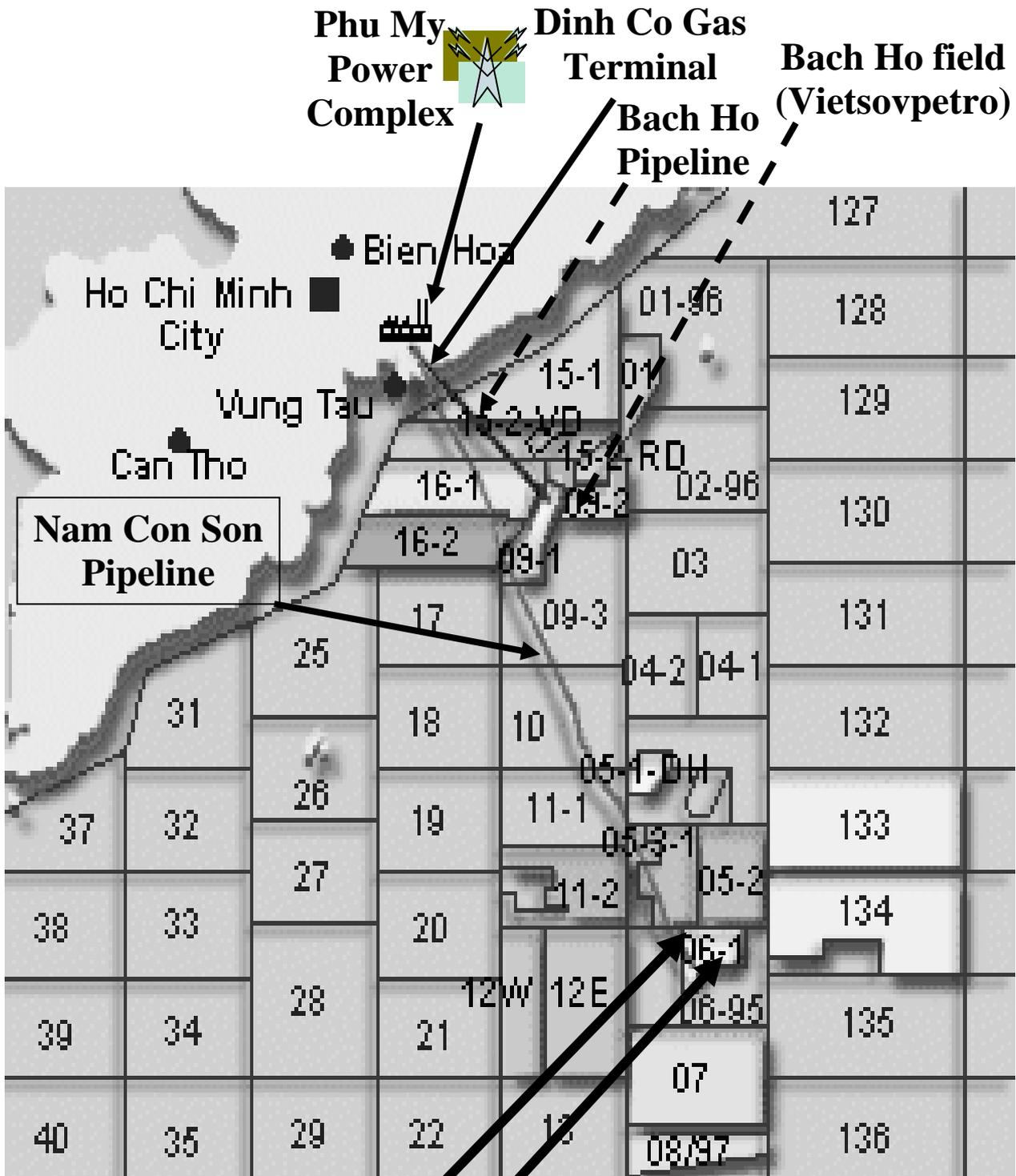
I commend this to you for your consideration as your social investment plans are developed.

Steve Walker
Associate President, Vietnam

Appendix II - Map of Vietnam



Appendix III



NAM CON SON

Lan Do – sub sea wells

Lan Tay – Dehydration/Compression/Quarters

Notes

¹ Policy of renovation

² http://www.petrovietnam.com.vn/internet/Promotion.nsf/EXP2002/PROEXPIV_5.htm describes Vietnam's oil and gas resources. Crude oil was Vietnam's largest export in 2004 at \$1.2 billion.

³ The Association of South-East Asian Nations: Members are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

⁴ Downstream: gas or oil products after refining. Upstream: gas or oil before refining

⁵ This, and subsequent quotes are from interviews conducted in UK or Vietnam in 2003/2004.

⁶ See Appendix II for a map of Vietnam and Appendix III for a map of the Nam Con Son project.

⁷ BOT: Build, Operate, Transfer. Phu My 3 will be handed over to Vietnamese interests after 20 years.

⁸ People's Committees were the municipal authorities in the Vietnamese administrative bureaucracy.

⁹ The predominant foreign languages in Vietnam until the early 1990s were Russian and German. Of 80 participants in a programme for top Vietnamese business persons run in Hanoi by INSEAD in 1993, 25 participants claimed fluency in Russian, 22 in German, 15 in English, and 2 in French. (INSEAD is a major European business school).

¹⁰ University of Cambridge Local Examinations Syndicate

¹¹ Family names (e.g. Nguyen) are written first but people are known by their given name e.g. in this case Boi.

¹² Mr Boi administered the UNDP programme VIE/543/88: "Developing a market economy". He was responsible for a wide range of activities of which upgrading English language capabilities was a small part. Yeldham had been recommended to meet Mr Boi, and asked his assistant to call him: "Oh I can't", she replied, "he is in Moscow", an indication how in Hanoi at the time everyone knew what everybody else was doing.

¹³ Yeldham tells a nice story about Marcel Loos: "The Vietnamese loved him dearly. Before we started the seismic tests off Danang Marcel went to negotiate with the fishermen's union. On the first day they produced a very sophisticated formula calculating the losses they would incur. They filled a blackboard with complicated figures, and came to a figure of.....\$180. They looked at it and said "No, no, something has gone wrong, we must do it again". Marcel said, "Well by all means do so, but I have another way of looking at it. Tell me if I'm wrong, but I think it goes something like this: I've got money, and you haven't", they thought about that and said "Yes". Then he said "You want my money and I don't want to give it to you." "Yes" they agreed. "OK", he said, "I'll come back in the morning and you write a number up on the board, and if I like it that's OK, and if not, I'll tell you." Next morning he went in and the number on the board was less than his number so he said "Done".

¹⁴ NGO: Non-Governmental Organisation.

¹⁵ For a full exposition of this principle see: <http://www.comminit.com/st2002/sld-5003.html>

¹⁶ FFI, together with a number of other organisations (including BP) is a member of The Energy and Biodiversity Initiative (www.TheEBI.org). Their aim: "Integrating Biodiversity into Oil and Gas Development."

¹⁷ Ha Long Bay is probably the most celebrated tourist attraction in Vietnam. It is situated east of Hanoi, and features thousands of dramatic limestone pillars rising directly out of the sea.

¹⁸ The various national Save The Children organisations operate independently in the field.

¹⁹ See Joerg Wischermann "Vietnam in the Era of Doi Moi: Issue-Oriented Organizations and Their Relationship to the Government: Asian Survey Vol XLIII, No.6 Nov/Dec 2003, University of California Press, and <http://www.un.org.vn/donor/civil/BeaulieuNGOreport.pdf>

²⁰ 'Helios' is the name the God of the sun in Greek mythology, and is BP's global logo.

²¹ United Nations Development Programme

²² <http://www.operationsmile.org>

²³ Agent Orange was a chemical defoliant widely used by the US during the Vietnam War. For a graphic record see: "Agent Orange: Collateral Damage in Vietnam" by Philip Jones Griffiths, Publ. Trolley Ltd., London 2003 and the Canadian site <http://www.hatfieldgroup.com/featured/vietnam.htm>

²⁴ Cyclo: a pedicab once omnipresent on Vietnamese streets, now largely replaced by taxis and motorbikes

²⁵ BP was a major contributor to the Algerian earthquake appeal see:- <http://www.reliefweb.int/library/documents/2003/ifrc/ifrc-dza-23sep.pdf>

²⁶ Viet Kieu: overseas Vietnamese. Often those whose families fled Vietnam in the late 1970s and early 80s. The large majority are in the USA, Australia, and Canada.

²⁷ <http://www.donxa.be>

²⁸ SOE: State Owned Enterprise