

How bp failed at crisis communication

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How BP failed at crisis communication British Petroleum (BP) suffered a large-scale public relations and crisis communication disaster, when an oil-drilling rig accident on 20th April 2010 incurred a spillage of several million gallons of crude oil into the Gulf of Mexico. This catastrophic spill has been regarded as one of the most severe environmental damages recorded in the U. S. history, causing public animosity and frustration, substantially because of inappropriate BP's crisis communication plan (Tangley, 2010).

The oil spill contaminated local environment and coastline of U. S. states Louisiana and Mississippi. Consequences were severe as the spill crippled heretofore developed Gulf Coast fishing industry for a couple of years. On international scene, it has led to a continued discussion on the safety measures of offshore drilling (Tangley, 2010). On the top of that, BP has been forced to continuously invest into improving of their image in media and on social networking sites, trying to eliminate as much negative PR campaign as they possibly could (McClam, & Weber, 2010).

BP reacted promptly in their statements, however, without emphasizing the compassion for those who were harmed and by appearing to be insufficiently determined to clean up the environmental disaster. The company should not have been over-optimistic about the scale of the oil spill. On the other hand, BP should have stepped up their social networking communication and assessment of the right spokesperson to a unique situation. Although that crisis scenario is a unique event that is hard to predict, it is definitely not unexpected, considering what business BP operates in.

By the year of 2015, 83 percent of companies will face a crisis that will negatively impact their share price by 20 to 30 percent, according to Oxford-
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Metrica study. This is more likely to happen to oil producing companies, as they are considered to be operating in a one of the most dangerous industries. Facing such a deep company crisis is not only about ways of how to minimize negative exposure in the press; however, it is also about reducing the environmental damage in the first place.

Company has to confront the situation without any futile delays and send a clear message to the public in its determination to manage the situation as best as possible. Definitely not by holding out on facts and baffle general public, as BP did (Oxford Metrica, 2011). For example, the officers from BP said that the explosion of Deepwater Horizon drilling at Macondo oil field caused an oil spill of about 2.7 million barrels. In contrary, the US government's estimate of 4.9 million barrels spilt into the sea almost doubles BP's assumption (Oxford Metrica, 2011). There were several companies involved in the Deepwater Horizon accident.

The oil rig was not owned by BP, but a contracting company Transocean. The Macondo oil well was owned partially by BP (65%), Anadarko Petroleum (25%) and Mitsui (10%). The defect of a blowout preventer was supplied by Cameron International (Oxford Metrica, 2011). " Finally, just before the accident, Halliburton fitted the cement cap intended to seal the well. The number of players involved has given rise to shifting of blame" says the Oxford Metrica study. BP used this opportunity and tried to avoid the spotlight by accusing their contractors and suppliers of being responsible for a Deepwater Horizon accident.

George Santayana, a Spanish philosopher, said " Those who cannot remember the past are condemned to repeat it. " BP's failure is a perfect

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example of this dateless quote. As the Exxon Valdez accident badly spoiled the view of general public on oil industry and this case has shown serious under reactions of both Exxon and American government, BP should have devised a risk mitigation plan with various safety features, assuring that similar ecological disaster of these proportions will not happen again.

Instead, the company has exchanged a following of a strict safety precautions and minimizing overall safety risk for being a risk-seeking company that is pushing to minimize costs and maximize profit. This accident has proven that the industry has lost a focus on prevention and their control mechanisms could not keep up with the newly acquired technologies in offshore exploration and production. Additionally, the company deliberately overlooked all warning signs that have been present.

This game was not worth it, as BP has taken a significant financial hit. Their stock price fell by more than 40% in one week after Deepwater Horizon explosion as it proves Figure 1 which compares a percentage change of stock prices of BP, Transocean, Cameron International and Halliburton early before and after the explosion of Deepwater Horizon. The peak loss of 46% in June 25 resulted into a \$95 billion loss in market value capitalization of British Petroleum. Additionally, BP was forced to reserve \$39.9 billion in order to eliminate the consequences of oil spill; also pay \$20 billion as a compensation for people directly affected by the spillage; \$10.8 billion as an expense for companies that capped and sealed the oil well and consequent cleaning operations and next \$9.1 billion on additional fees, penalties and fines (Oxford Metrica, 2011). This giving a total of \$79.8 billion entailed a significant decrease in net income for consequent 5 years to come. Figure 1:

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Comparison of stock prices of companies involved in Deepwater Horizon explosion [pic] Source: Oxford Metrica, 2011.

By going back to the PR campaign that has been launched straight after the oil spill, BP has done a very good job when they covered most of the negative publicity. BP's webpage informed the general public about the will and devotion of the company and how hard they are trying to minimize the environmental damage or help the people affected; while not mentioning a word about the fact that BP takes responsibility for the disaster. Their Facebook account informed the subscribers how the company focuses on using the latest technology available in order to stop the spreading of oil spill.

To this moment, BP got a lot of things correctly. Nevertheless, it is not an immediate action which caused the negative exposure on media throughout the world. Tony Hayward, the CEO of BP, was actively engaged in the PR campaign, was ready to provide interviews to media and was willing to pay all the penalties and fines to the US government. However, Oxford Metrica review claims that “ a string of clumsy comments and cultural misunderstandings, combined with a seeming inability to cap the well, dominated the media and, understandably, fear and anger took hold” (Oxford Metrica, 2011).

Despite the fact that BP is a huge global organization, we can observe that both of their public relations staff and higher management structures clearly did not handle the Deepwater Horizon disaster appropriately, at least from a public relations and goodwill point of view. Taken a closer look at what makes a global company with size of BP at least neutral in terms of a general audience perception, using common sense would inevitably lead unbiased

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observer to identify several key parts. Being as honest to public as possible, quick reaction time, correct usage of social networks and media exposure of the right representatives would most likely be among them. However, BP undergoing their biggest crisis, not only from the technical point of view and the actual damage inflicted on the environment, but mostly image-wise, failed significantly at reacting accordingly; given the fact that the BP case is publicly known as being the biggest PR failure of the recent history. As mentioned before, being sincere about the huge environment tragedy, that was caused by a company, even if indirectly, is something what public audience would certainly expect.

It is obviously a bad idea to try to make it appear less serious than the situation is in reality, especially when media around the world are posting photos and airing images of an oil rig in flames and spilling thousands of gallons of oil into its surroundings. Mr. Thoma J. Roach, journalist from the magazine Rock Products has made a very good point on this matter, noting that BP's CEO Tony Hayward reportedly said that the Gulf of Mexico is a big ocean and compared the amount of oil pouring into it as tiny and insignificant.

However, Roach claimed that such a statement is dismissive and that it pictures environmentalists and all the people in those industries devastated by the disaster as crybabies. Moreover, instead of placating them, it challenged them to come back strengthened with better evidence, more arguments and intensity. He also concluded that such a public relations strategy is only baiting the enemies (Roach, 2010). In simplicity, if Hayward would say something more sincere and actually true, BP could have looked

better and avoided more negative publicity not only for the disaster itself, but also for their way of handling it.

Even though delivering the information is the most important part of the whole public relations process, one may argue that delivering it too late or in a bad form is as much important. Frederick E. Allen, former CEO of Jacobs Suchard, has made a good point on this matter using the BP's public relations blunders as an example, mentioning that he would expect hundreds of press release updates from BP Global on Facebook, however during the tough times, BP's PR section has issued only about hundred of them. On top of that, only few of them had something to do with the spill and its aftermath (Allen, 2012).

To improve this part of the strategy, BP clearly needed to utilize all of their resources, including their own web page, to its fullest potential and in appropriate time. What BP shown during their crisis and also afterwards, was clearly a lack of competent people responsible for writing short memos and messages on one of their main communication channels – their website. On the other hand, even when the PR department is doing a tremendous job on social networks, it does not necessarily mean that it will have actual impact.

This is caused by the way how social networks are used by the audience. Basically, company needs a massive amount of followers on given social network prior to the actual case, so they can immediately use it to reach their target audience with tweets or updates. So despite BP had a capable social network manager who succeeded in posting a lot of material, they did not really matter too much as BP lacked followers, as their staff weren't

active on this matter before it became a really needed tool in times of crisis (Allen, 2012).

As mentioned earlier, significant blunder of the company in PR area was a wrong choice of a spokesperson. A lot of critique went on Mr. Hayward`s head. Thomas Roach has described BP`s CEO as blunt-speaking, hard-edged and criticized BP for using him also as a chief spokesperson for the company, mentioning that American industry already learned a lesson from Japanese competitors in the 1980s, specifically, that the person who is the best engineer does not necessarily make the best manager.

Tony Hayward was thus a bad hire for BP, as he was not a outstanding leader with appropriate communication skills (Roach, 2010). Maybe BP wanted to look like they stood behind their CEO, thus even after his publicly known and very unfortunate quotes, they did not want to take him down and replace him by someone with better set of communication skills. However, Mr. Hayward has most likely done more damage with his inappropriate appearances than it helped BP to look like they are maintaining their integrity.

Despite the immediate PR reaction after April 2010, the company seemed to be unable to appreciate the cultural context, since BP did not speak the language which the American public wanted to hear. BP did not appreciate the political context as well and at that time, they heavily damaged the lingering relationship with US government as exclusive emitter of oil-drilling permits for locations rich on oil. To conclude the case, it can be claimed that BP has run their technical operations during the crisis bad, but their immediate PR reaction was even worse.

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Moreover, BP's public relations department was over-optimistic and endlessly reassured the general public by optimistic assessments that the amount of spillage is "relatively tiny" and the situation will be dealt with soon (Roach, 2010). Additionally, the company should have been more compassionate to the victims of the oil rig explosion and to those who were harmed by the latter oil spill. However, this case can be seen as a valuable lesson for not only petrochemical industry, but the whole multinational companies segment of the businesses around the world.

Lessons that BP did not learn from the Exxon Valdez case years ago will hopefully be learned by other companies from BP's case. On the other hand, this environmental disaster has happened during the Information era, when everything is immediately spread worldwide and when one has to respond to the audience as quickly as humanly possible. Thus, it cannot be isolated in a time period of a year 2010, but it must be viewed as a continuous process. Even after all cleaning work will be done, there still will be a future aspect of the case, as general public will keep demanding a preemptive measures by BP.

This will create another playfield where BP can work on their public relations and slowly present itself as they have learned their lessons and from now on, BP will become a whole new company with a new approach to safety and crisis management. This actually seems to be the case, as articles in 2011 and further does not generally mention BP in such a bad light as they were doing previously, which can be accounted to applying new PR strategies.

Specifically, we can see a good presentation of BP in a NY Times article from the middle of 2011 written by Julia Werdigier, author of more than a <https://assignbuster.com/how-bp-failed-at-crisis-communication/>

thousand articles for NY Times. In the article, BP is given a credit for announcing the new, safer, deep-water drilling standards of BP together with a more general safety measures (Werdigier, 2011). With articles like this, BP is starting to turn their image around. But in the end, only time will reveal if the PR department of one of the biggest multinational companies will learn their lesson.

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